NOTICE OF FILING

Details of Filing

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File Title:	AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION v AUDITEO AUSTRALIA PTY LTD (ACN 629 880 691) & ORS
Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA

SEAL OF THE FEDERAL COURT OF AUSTRALIA

Sia Lagos

Registrar

Important Information

This Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date of the filing of the document is determined pursuant to the Court's Rules.

Form NCF1

Concise Statement

No. of 2026

Federal Court of Australia
District Registry: Victoria
Division: General Division

Australian Securities and Investments Commission
Plaintiff

Auditeo Australia Pty Ltd and others according to the Schedule
Defendants

IMPORTANT FACTS GIVING RISE TO THE CLAIM

A.1 Introduction

1. This claim relates to: (i) Auditeo Australia Pty Ltd (ACN 629 880 691) (**Auditeo**), an authorised audit company registered under s 1299C of the *Corporations Act 2001* (Cth) (**Corporations Act**); (ii) Mr Ajm Didarul Islam Khan (**Mr Khan**), a registered company auditor under s 1280 of the Corporations Act, and the sole director and shareholder of Auditeo; and (iii) Mr Brian Robert Taylor (**Mr Taylor**), a registered company auditor under s 1280 of the Corporations Act, who was engaged as a contractor by Auditeo, in relation to various audits of the compliance plan of the First Guardian Master Fund (ARSN 635 429 113) (the **FGMF**).

2. From 7 November 2018 to 9 January 2022, the corporate entity now known as Auditeo was known as DK Audits and Advisory Pty Ltd.

A.2 The First Guardian Master Fund and its responsible entity

3. The FGMF was a registered managed investment scheme subject to Chapter 5C of the Corporations Act and was first registered on 23 August 2019. Falcon Capital Limited (ACN 629 880 691) (**Falcon**) was a public company and at all relevant times was the responsible entity of the FGMF and a holder of an Australian Financial Services Licence (**AFSL**).

4. Retail investors (including by way of superannuation contributions made through superannuation platforms) invested into the FGMF and were purportedly allocated to one of three unit classes: Defensive Strategies Class; Diversified Strategies Class; and Growth Strategies Class. In turn, Falcon, as the responsible entity for the FGMF, advanced funds invested in those unit classes to several wholesale unregistered managed investment schemes (the **Underlying Funds**). Falcon was also the trustee for each of these Underlying Funds. Thousands of investors invested in the FGMF. As at 30 June 2024 the FGMF had approximately $541.6 million in funds under management. On 9 April 2025,

Filed on behalf of (name & role of party)	Australian Securities and Investments Commission
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Mr Ross Blakeley and Mr Paul Harlond of FTI Consulting were appointed joint and several liquidators of Falcon and the FGMF.

A.3 The relevant audits

5. The Auditing & Assurance Standards Board (**AUASB**) is empowered under the Corporations Act to make auditing standards (the **ASAs**) (Corporations Act, s 336). The AUASB also publishes the Standards on Assurance Engagements (**ASAEs**).

The Financial Audits

6. As a registered scheme, the FGMF was required to prepare a financial report and a directors' report for each financial year and have its financial report audited and obtain an audit report (Corporations Act, ss 292(1)(d), 301(1)) which was required to be lodged with ASIC along with the financial report and directors' report (together the **FGMF Annual Report**) within three months after the end of the relevant financial year (Corporations Act, ss 319(1), 319(3)(a)). The audit was required to be conducted in accordance with the ASAs (Corporations Act, s 307A).

7. For the financial years ending 30 June 2021 (**FY21**), 30 June 2022 (**FY22**), 30 June 2023 (**FY23**) and 30 June 2024 (**FY24**), Auditeo was engaged to complete audits of the financial reports of the FGMF (the **Financial Audits**) and produce an audit report that was subsequently provided to ASIC (the **Financial Audit Reports**) as part of the FGMF Annual Report for the relevant year.[1]

8. Mr Khan was the lead auditor and signing auditor for the FY21, FY22, FY23 and FY24 Financial Audit Reports. He had primary responsibility for the conduct of the Financial Audits (Corporations Act, s 324AF(1)). He was also required, *inter alia*, to ensure that the Financial Audits were conducted in accordance with the ASAs (Corporations Act, s 307A(2)).

9. Auditeo and Mr Khan were required to form opinions about whether, *inter alia*, the financial reports of the FGMF were in accordance with the Corporations Act (Corporations Act, s 307) including whether the financial statements and notes in those reports gave a true and fair view of the financial position and performance of the FGMF (Corporations Act, s 297), and were in accordance with accounting standards (Corporations Act, s 296).

The Compliance Plan Audits

10. As a registered scheme, the FGMF was required to have a compliance plan that was lodged with ASIC (Corporations Act, s 601EA and s 601HA). The FGMF was also required to have the compliance plan audited within three months after the end of a financial year (Corporations Act, s 601HG). An auditor of a compliance plan is required to give an audit report to the registered scheme's responsible entity (for the FGMF, this was Falcon) stating whether, in the auditor's opinion, the responsible entity complied with the scheme's compliance plan during the financial year and the plan continues to meet the requirements of Part 5C.4 of the Corporations Act (Corporations Act, s 601HG(3)(c)). A person is not eligible to act as the individual auditor, lead auditor or review auditor of the compliance plan if the person is the auditor of the responsible entity's financial statements (Corporations Act, s 601HG(2)). The responsible entity of the registered scheme must

[1] At the time of the FY21 Financial Audit, Auditeo was known as DK Audits and Advisory Pty Ltd.

lodge the auditor's report with ASIC at the same time as the annual report in respect of the scheme is lodged with ASIC (Corporations Act, s 601HG(7)).

11. For the financial year ending 30 June 2020 (**FY20**), as well as FY21, FY22, FY23 and FY24, Auditeo was engaged to complete audits of the FGMF's compliance plan (together the **Compliance Plan Audits**) and produce a report that was subsequently provided to ASIC (the **Compliance Plan Audit Reports**).
12. In FY20 Mr Khan was the lead auditor and signing auditor for the FY20 Compliance Plan Audit Report.
13. Auditeo engaged Mr Taylor to undertake the role of lead and signing auditor of the Compliance Plan Audits for FY21, FY22, FY23, and FY24.
14. Auditeo was also engaged to undertake various audits in relation to Falcon's financial reports and AFSL for FY21 to FY24, however those audits are not the subject of these proceedings.

A.4 Conduct of the relevant audits

FY21, FY22, FY23, FY 24 Financial Audits

15. Annexures A to D to this Concise Statement relate to the FY21, FY22, FY23, and FY24 Financial Audits. Each Annexure sets out:
    a. the compilations of the ASAs that were in force at the relevant time;
    b. the numerous breaches of the relevant ASAs in the way in which Auditeo and/or Mr Khan carried out the FY22, FY23, and FY24 Financial Audits, including in respect of (i) audit planning; (ii) the audit procedures that were designed and carried out for the audit; (iii) the sufficiency of the audit evidence obtained; (iv) the level of professional scepticism and judgement applied; and (v) other breaches of the ASAs. Although Auditeo were engaged as auditors to complete an audit of the FGMF's financial reports for FY21, the documents held by Auditeo for FY21 do not demonstrate that a financial audit was conducted and therefore the applicable ASAs have not been applied as a whole; and
    c. the steps that a reasonable and prudent auditor would have taken and Auditeo and/or Mr Khan failed to take with respect to the conduct of the FY21, FY22, FY23, and FY24 Financial Audits, including the aspects of those audits outlined at (b).
16. By failing to comply with the ASAs as set out in each Annexure, Auditeo and Mr Khan failed to: (i) carry out appropriate audit planning; (ii) design and carry out the FY21, FY22, FY23, and FY24 Financial Audits with appropriate audit procedures; (iii) obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level and draw reasonable conclusions on which to base their opinion; and (iv) conduct the FY21, FY22, FY23, and FY24 Financial Audits with due care and skill. A reasonable and prudent auditor conducting the FY21, FY22, FY23, and FY24 Financial Audits in accordance with the ASAs and with due care and skill would have planned and performed, or attempted to perform, the audit procedures as set out in the Annexures.

FY20, FY21, FY22, FY23, FY 24 Compliance Plan Audits

17. Annexure E to this Concise Statement relates to the FY20, FY21, FY22, FY23, and FY24 Compliance Plan Audits. This Annexure sets out:
    a. the compilations of the ASAEs that were in force at the relevant time;

b. the numerous breaches of the relevant ASAEs in the way in which Auditeo and/or Mr Khan (for FY20) and Auditeo and/or Mr Taylor (for FY21 to FY24) carried out the audits of the FGMF's compliance plan, including in respect of (i) audit planning; and (ii) the audit procedures that were designed and carried out for the audit; and

c. the steps that a reasonable and prudent auditor would have taken and Auditeo and/or Mr Khan (for FY20) and Auditeo and/or Mr Taylor (for FY21 to FY24) failed to take with respect to the conduct of the Compliance Plan Audits.

18. By failing to comply with the ASAEs as set out in Annexure E, Auditeo and/or Mr Khan (for FY20) and Auditeo and/or Mr Taylor (for FY21 to FY24) failed: (i) to plan and perform the Compliance Plan Audits with appropriate audit procedures; (ii) obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and draw reasonable conclusions on which to base their opinion; and (iii) conduct the Compliance Plan Audits with due care and skill. A reasonable and prudent auditor conducting the Compliance Plan Audits in accordance with the ASAEs and with due care and skill would have planned and performed, or attempted to perform, the audit procedures as set out in the Annexure.

A.5 False Statements

False or Misleading Statements: FY21, FY22, FY23, FY24 Financial Audits

19. In relation to the FY21, FY22, FY23, and FY24 Financial Audits, ASIC alleges that Auditeo and Mr Khan contravened s 1308(5) of the Corporations Act by:

   a. making and/or authorising statements in each of the Financial Audit Reports which made each of the Financial Audit Reports materially false or misleading; and

   b. failing to take all reasonable steps to ensure that each of the Financial Audit Reports was not materially false or misleading because of the statements.

20. Specifically, each of the Financial Audit Reports contained statements made and/or authorised by Auditeo and Mr Khan that (the **Financial Audit Statements**):

   a. in Auditeo's and Mr Khan's opinion, the financial report of the FGMF was in accordance with the Corporations Act, including giving a true and fair view of the scheme's financial position as at 30 June of the relevant year and of its financial performance for the year ended on that date, and complied with Australian accounting standards (**True and Fair View/AASB Opinion**);

   b. Auditeo and Mr Khan had conducted each Financial Audit in accordance with the ASAs (**Audit Standards Assertion**);

   c. Auditeo and Mr Khan believed that the audit evidence obtained was sufficient and appropriate to provide a basis for their opinion (**Audit Evidence Opinion**); and

   d. impliedly with respect to the True and Fair View/AASB Opinion and the Audit Evidence Opinion, that: (i) there were reasonable grounds for the opinions and/or that reasonable inquiries had been made in that regard; and (ii) the opinions were the product of the application of reasonable care and skill by the auditors in carrying out the Financial Audits and/or the opinions were formed after the auditors had conducted the audits in accordance with the ASAs (the **Implied Statements**).

21. The Financial Audit Statements were false in a material particular or materially misleading and made each of the Financial Audit Reports materially false or misleading because:

a. in respect of the True and Fair View/AASB Opinion, that statement was materially false or misleading because the Implied Statements were materially false or misleading. The Implied Statements were materially false or misleading because there were not reasonable grounds for the opinion and reasonable inquiries had not been made in that regard as sufficient and appropriate audit evidence was not obtained for a reasonable and prudent auditor to be able to form an opinion as to whether the financial reports of the FGMF for FY21, FY22, FY23, and FY24 gave a true and fair view of the FGMF's financial position and of its financial performance and complied with Australian accounting standards, and the opinion had not been formed after the auditors conducted the audits in accordance with the ASAs (see section A.4);

b. in respect of the Audit Standards Assertion, that statement was materially false or misleading because each of the Financial Audits was not conducted in accordance with the ASAs (see section A.4). There was a statutory requirement for the auditors to conduct the Financial Audits in accordance with the ASAs and for the Financial Audit Reports to contain statements or disclosures required by the ASAs (Corporations Act, s 307A and s 308(3A)). The Audit Standards Assertion is material to the auditor's report; and

c. in respect of the Audit Evidence Opinion, that statement was materially false or misleading because the Implied Statements were materially false or misleading. The Implied Statements were materially false or misleading because there were not reasonable grounds for the opinion and reasonable inquiries had not been made in that regard as sufficient and appropriate audit evidence was not obtained for a reasonable and prudent auditor to form that opinion; appropriate audit planning was not done; appropriate audit procedures were not designed and carried out; the audits were not conducted in the manner of a reasonable and prudent auditor; and/or the opinion had not been formed after the auditors conducted the audits in accordance with the ASAs (see section A.4).

22. Auditeo and Mr Khan failed to take all reasonable steps to ensure that the Financial Audit Reports were not materially false or misleading because of the Financial Audit Statements as (see section A.4):

a. Auditeo and Mr Khan did not comply with the ASAs;

b. Auditeo and Mr Khan did not obtain sufficient and appropriate audit evidence;

c. Auditeo and Mr Khan did not take reasonable steps that a reasonable and prudent auditor would have taken as set out in Annexures A to D to this Concise Statement, or any other reasonable steps; and

d. Auditeo and Mr Khan did not carry out the audits with due care and skill.

23. The Financial Audit Statements were made and/or authorised by Auditeo and Mr Khan because Mr Khan signed the Financial Audit Reports as a director of Auditeo and in his own name (Corporations Act, s 324AD).

False or Misleading Statements: FY20, FY21, FY22, FY23, FY24 Compliance Plan Audits

24. In relation to the FY20, FY21, FY22, FY23 and FY24 Compliance Plan Audits, ASIC alleges that Auditeo and Mr Khan (for FY20) and Auditeo and Mr Taylor (for FY21 to FY24) contravened s 1308(5) of the Corporations Act by:

a. making and/or authorising statements in each of the Compliance Plan Audit Reports which made the Compliance Plan Audit Reports materially false or misleading; and

b. failing to take all reasonable steps to ensure that each of the Compliance Plan Audit Reports was not materially false or misleading.

25. Specifically, the Compliance Plan Audit Reports contained statements made and/or authorised by Auditeo and Mr Khan (for FY20) and Auditeo and Mr Taylor (for FY21 to FY24) that (**Compliance Plan Audit Statements**):

  a. Auditeo and Mr Khan (for FY20) and Auditeo and Mr Taylor (for FY21 to FY24) had conducted each Compliance Plan Audit in accordance with the ASAEs (**ASAE Assertion**);

  b. in Auditeo's and Mr Khan's (for FY20) and Auditeo and Mr Taylor's (for FY21 to FY24) opinion, Falcon had complied with the FGMF's compliance plan (**Compliance Plan Opinion**) in each relevant financial year. It was a specific legislative requirement that the audit reports included that opinion (Corporations Act, s 601HG(3)(c)); and

  c. impliedly, with respect to the Compliance Plan Opinion that: (i) there were reasonable grounds for the opinion; and (ii) the opinion was the product of the application of reasonable care and skill by the auditors in carrying out the Compliance Plan Audits and/or the opinion was formed after the auditors had conducted the audits in accordance with the ASAEs (**Implied Compliance Plan Statements**).

26. The Compliance Plan Audit Statements were false in a material particular or materially misleading and made each of the Compliance Audit Reports materially false or misleading because (see section A.4):

  a. Auditeo had not conducted the Compliance Plan Audits in accordance with the ASAEs, such that the ASAE Assertion was either false in a material particular, or materially misleading; and

  b. in respect of the Compliance Plan Opinion, that statement was materially false or misleading because the Implied Compliance Plan Statements were materially false or misleading. The Implied Compliance Plan Statements were false in a material particular or were materially misleading because there were not reasonable grounds for the opinion and reasonable inquiries had not been made in that regard as sufficient and appropriate audit evidence was not obtained for a reasonable and prudent auditor to form that opinion; the opinion was not formed as the product of the application of reasonable care and skill by the auditors in carrying out the Compliance Plan Audits; and/or the opinion was not formed after the auditors had conducted the audits in accordance with the ASAEs.

27. Further, Auditeo and Mr Khan (for FY20) and Auditeo and Mr Taylor (for FY21 to FY24) failed to take all reasonable steps to ensure that the Compliance Plan Audit Reports were not materially false or misleading as (see section A.4):

  a. Auditeo, Mr Khan and Mr Taylor did not comply with the ASAEs;

  b. Auditeo, Mr Khan and Mr Taylor did not obtain sufficient and appropriate audit evidence;

c. Auditeo, Mr Khan and Mr Taylor did not take reasonable steps that a reasonable and prudent auditor would have taken as set out in Annexure E to this Concise Statement, or any other reasonable steps; and

d. Auditeo, Mr Khan and Mr Taylor did not carry out the audits with due care and skill.

28. The Compliance Plan Audit Statements were made and/or authorised by Auditeo and Mr Khan (for FY20) and Auditeo and Mr Taylor (for FY21 to FY24) as the Compliance Plan Audit Reports were signed by either Mr Khan or Mr Taylor for Auditeo.

B. RELIEF SOUGHT FROM THE COURT

29. ASIC seeks the relief set out in the accompanying Originating Process.

C. PRIMARY LEGAL GROUNDS FOR THE RELIEF SOUGHT

30. By reason of the matters set out above, the Defendants contravened s 1308(5) of the Corporations Act, being a civil penalty provision: s 1317E(3). The Plaintiff also seeks injunctive relief against the Defendants under s 1324 of the Corporations Act based on the matters set out above.

D. ALLEGED HARM

31. By reason of the contraventions of the Defendants, harm was suffered by persons who relied upon the Financial Audit Reports and Compliance Plan Audit Reports, including investors in the FGMF.

This Concise Statement was prepared by Philip Bender and Anna Garsia of counsel.

Certificate of lawyer

I, Thomas Litchfield Jarvis, certify to the Court that, in relation to the concise statement filed on behalf of the Plaintiff, the factual and legal material available to me at present provides a proper basis for each allegation in the pleading.

Date: 29 July 2026

Signed by Thomas Litchfield Jarvis
Lawyer for the Plaintiff

Schedule

No. of 2026

Federal Court of Australia
District Registry: Victoria
Division: General

Plaintiff

Australian Securities and Investments Commission

Defendants

First Defendant:	Auditeo Australia Pty Ltd (ACN 629 880 691)
Second Defendant:	Mr Ajm Didarul Islam Khan
Third Defendant:	Mr Brian Robert Taylor

Date: 29 July 2026

ANNEXURE A
FY21 Financial Audit

(a) Australian Auditing Standards (ASAs) applicable to the FY21 Financial Audit

1. The ASAs that were applicable to the FY21 Financial Audit included the following:

Details of Australian Auditing Standards (ASA)			
ASA	*Title*	*Compilation date*	*Operative date*
ASA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 220	Quality Control for an Audit of a Financial Report and Other Historical Financial Information	14 December 2021	For financial reporting periods commencing on or after 1 January 2010
ASA 230	Audit Documentation (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 240	Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)	8 July 2020	For financial reporting periods beginning on or after 1 January 2018 but before 15 December 2021 that end on or after 15 July 2020
ASA 260	Communication With Those Charged with Governance	8 July 2020	For financial reporting periods ending on or after 15 December 2016.
ASA 300	Planning an Audit of a Financial Report	1 December 2015	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021 that end on or after 15 December 2016
ASA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (Compiled)	1 December 2015	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021 that end on or after 15 December 2016
ASA 320	Materiality in Planning and Performing an Audit (Compiled)	1 December 2015	For financial reporting periods beginning on or after 11 July 2011 but before 15 December 2021 that end on or after 15 December 2016
ASA 330	The Auditor's Responses to Assessed Risks (Compiled)	1 December 2015	For financial reporting periods beginning on or after 1 January 2010 but before 15 December 2021 that end on or after 15 December 2016
ASA 450	Evaluation of Misstatements Identified during the Audit (Compiled)	14 September 2017	For financial reporting periods beginning on or after beginning on or after 1 January 2018
ASA 500	Audit Evidence (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 505	External Confirmations (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 520	Analytical Procedures (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021

ANNEXURE A
FY21 Financial Audit

Details of Australian Auditing Standards (ASA)			
ASA	*Title*	*Compilation date*	*Operative date*
ASA 530	Sampling	1 January 2010	For financial reporting periods beginning on or after 1 January 2010 but before 15 December 2021
ASA 540	Auditing Accounting Estimates and Related Disclosures (Compiled)	15 December 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 550	Related Parties (Compiled)	11 November 2013	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021
ASA 700	Forming an Opinion and Reporting on a Financial Report	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 720	The Auditor's Responsibilities Relating to Other Information	8 July 2020	For financial reporting periods ending on or after 15 December 2016

(b) Failure to comply with the ASAs

1. The FY21 Financial Audit file consisted of only 18 documents.
2. Only 4 of the documents in the FY21 Financial Audit file were created by the auditor and, in that regard, sufficient and appropriate audit evidence was not obtained; sufficient audit planning was not carried out; and sufficient audit procedures were not designed and carried out.
3. The documents of the FY21 do not demonstrate that a financial audit was conducted.
4. The ASAs that were applicable to the FY21 Financial Audit were not applied as a whole.

(c) Steps of a reasonable and prudent auditor

5. A reasonable and prudent auditor would have carried out a financial audit in accordance with the ASAs as a whole and, in failing to do so, a lack of reasonable care and skill was exercised.

ANNEXURE B
FY22 Financial Audit

Details of Australian Auditing Standards (ASA) referenced in Annexure B			
ASA	**Title**	**Compilation date**	**Operative date**
ASA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 220	Quality Control for an Audit of a Financial Report and Other Historical Financial Information	14 December 2021	For financial reporting periods commencing on or after 1 January 2010
ASA 230	Audit Documentation (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 240	Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)	8 July 2020	For financial reporting periods beginning on or after 1 January 2018 but before 15 December 2021 that end on or after 15 July 2020
ASA 260	Communication with those Charged with Governance	8 July 2020	For financial reporting periods ending on or after 15 December 2016
ASA 300	Planning an Audit of a Financial Report	1 December 2015	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021 that end on or after 15 December 2016
ASA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (Compiled)	1 December 2015	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021 that end on or after 15 December 2016
ASA 320	Materiality in Planning and Performing an Audit (Compiled)	1 December 2015	For financial reporting periods beginning on or after 11 July 2011 but before 15 December 2021 that end on or after 15 December 2016
ASA 330	The Auditor's Responses to Assessed Risks (Compiled)	1 December 2015	For financial reporting periods beginning on or after 1 January 2010 but before 15 December 2021 that end on or after 15 December 2016
ASA 450	Evaluation of Misstatements Identified during the Audit (Compiled)	14 September 2017	For financial reporting periods beginning on or after beginning on or after 1 January 2018
ASA 500	Audit Evidence (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 505	External Confirmations (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 520	Analytical Procedures (Compiled)	4 January 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 530	Sampling	1 January 2010	For financial reporting periods beginning on or after 1 January 2010 but before 15 December 2021
ASA 540	Auditing Accounting Estimates and Related Disclosures (Compiled)	15 December 2019	For financial reporting periods beginning on or after 15 December 2019 but before 15 December 2021
ASA 550	Related Parties (Compiled)	11 November 2013	For financial reporting periods beginning on or after 1 January 2014 but before 15 December 2021
ASA 700	Forming an Opinion and Reporting on a Financial Report	8 July 2020	For financial reporting periods beginning on or after 15 December 2019 but before 1 October 2021 that end on or after 15 July 2020
ASA 720	The Auditor's Responsibilities Relating to Other Information	8 July 2020	For financial reporting periods ending on or after 15 December 2016

ANNEXURE B
FY22 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
A. Audit planning was inadequate and in breach of auditing standards				
1.	The auditors prepared a dashboard which stated total balances (assets, liabilities, revenue), liquidity ratios, profitability ratios that were automatically generated using the CaseWare program. The documented assessment of these figures and ratios was limited to: "*Increase of the assets are inline with our understanding of the growth during the year. The revenue growth is inline with growth in FUM* [Funds Under Management]." This analysis was inadequate as the auditors concluded that the increase in assets (of $112 million or 36%) was in line with their understanding during the year without any basis documented for that understanding. Additionally, the comment that revenue growth was in line with growth in FUM was not consistent with documents in the audit files showing revenue had declined by $5.1m or 57%. This demonstrates that the auditors did not appropriately perform this risk assessment procedure and did not identify the inconsistent movement in revenue and assets that may have had audit implications.	**<u>ASA 315</u>** **Paragraph A15** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have performed, at a minimum, a year-on-year analytical review, comparing profit or loss items and balance sheet items to the 30 June 2021 balances. Any significant movements or movements that were unusual (i.e. revenue moving inconsistently with assets) ought to have been considered for heightened risks that would be considered in the audit plan.	**<u>ASA 315</u>** **Paragraph 6(b)** Risk Assessment Procedures and Related Activities **Paragraph A15** Risk Assessment Procedures and Related Activities
2.	There is no documentation in the audit file to demonstrate that the auditors obtained an understanding of the business processes relevant to financial reporting. Specifically: (a) there was no specific audit work program prepared in relation to IT applications. The ASA Requirements - Risk Assessment document merely noted "*predominantly xero and excel is used for record keeping*"; (b) the Control Report lists the following areas: Valuation of investments; Revenue recognition; Accuracy of unit pricing; Compliance with regulatory requirements; and Liquidity management. However, there is no documentation in the audit file outlining how transactions flowed through FGMF's systems, how transactions were initiated, recorded and processed, or	**<u>ASA 315</u>** **Paragraph 18** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control	A reasonable and prudent auditor ought to have obtained FGMF's policies and procedures that documented the flows of transactions relevant to the financial report, made enquiries of management and observed how transactions were processed. This should have been documented in the audit file including the details of the sources of the information and the information systems and business process flows that were observed. Any deficiencies identified from this evaluation should have been reported to management and considered in the auditor's design of audit procedures.	**<u>ASA 315</u>** **Paragraph 18** The Required Undertaking of the Entity and its Environment, Including the Entity's Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	what the journal entry process and controls were for these transactions. The documentation in the audit file did not set out the key elements of the understanding the auditors had obtained in respect of the internal controls, the source of that understanding or the risk assessment procedures performed.			
3.	Inadequacies existed in the auditors' documentation of the identification and assessment of material misstatement at the assertion level. Specifically: (a) In the Risk Assessment Report prepared, the auditors identified risks relevant to account balances. i.e. "*Fraud in revenue*". However, the Risk Assessment Report states the following in the Assertion section: *"No Assertion level Risks are present",* meaning that the auditors did not identify the specific assertions relevant to each risk they identified as required. (b) While the auditors did identify assertion level risks for Finance Assets, the risk was identified as being "*Moderate*". Within the same document, a significant risk was identified relating to asset impairment and valuation of financial assets. Significant risks by nature ought to be "*High*" risks and therefore this risk was misidentified. (c) The auditors' audit files did not identify any risk for the net assets attributable to unitholders, despite it being a material balance. (d) Fraud in revenue was identified by the auditors as a risk, but no assessment of the relevant assertion was carried out.	**ASA 315** **Paragraph 25** Identifying and Assessing the Risk of Material Misstatement	A reasonable and prudent auditor ought to have: (a) for each significant account, class of transaction and disclosure identified in the Risk Assessment Report, evaluated whether a risk of material misstatement existed and, if so, identified the specific assertion(s) affected (i.e. existence, valuation, completeness); (b) for the '*Fraud in Revenue*' risk, documented any revenue assertions to which the risk attached; (c) for net assets attributable to unitholders, performed and documented an assertion-level risk assessment given the balance's materiality; and (d) designed audit procedures specifically responsive to each identified assertion-level risk.	**ASA 315** **Paragraph 25** Identifying and Assessing the Risk of Material Misstatement
4.	In an audit planning memorandum in the audit file, the auditors determined the following materiality thresholds: • Overall materiality: $1,572,723 (0.5% of total assets); • Performance materiality: $1,179,542 (75% of Overall Materiality); • Clearly trivial: $78,636 (5% of Overall Materiality).	**ASA 320** **Paragraph 12** Revision as the Audit Progresses	When a change in materiality occurs, a reasonable and prudent auditor ought to document the following clearly in the audit file: (a) the factors that resulted in the determination that a revision of materiality was necessary; and	**ASA 320** **Paragraph 12** Revision as the Audit Progresses

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	However, in a separate materiality work program within the audit file, the auditors varied the materiality thresholds as follows: • Overall materiality: $6,000,000 (2% of Total Assets) • Performance materiality: $3,000,000 (50% of Overall Materiality) • Clearly trivial: Not identified There is no evidence in the audit file to suggest that the auditors documented the factors considered in the determination of their revision.		(b) the impact of the revision and whether the nature, timing, and extent of the further audit procedures remain appropriate.	
5.	The materiality work program and audit planning memorandum in the audit file indicated that in respect of materiality: (a) The documented principal user focus was "*profitability and return of investments*", yet the auditors selected "*total assets*" as the benchmark. The rationale for this choice was not documented in the audit file. (b) The auditors cited "*high FUM*" (Funds Under Management) to support the percentage of 2% being applied as a materiality threshold. A higher asset base mechanically produces a higher dollar materiality at any given percentage. As a result, "*high FUM*" could not have been a basis for selecting a higher percentage. (c) The audit file does not demonstrate that the auditors appropriately considered the nature of the entity. The FGMF was a Public Interest Entity ('PIE'). As a registered MIS, its units issued were Enhanced Disclosure securities under s 111AF of the *Corporations Act 2001* (Cth), making it a disclosing entity under s 111AC(2) and a PIE under paragraph R400.16 of APES 110. In these circumstances, the materiality determination did not reflect the heightened scrutiny applicable to PIE audits. (d) The rationale noted by the auditors in respect of performance materiality (ie "*considered adequate to*	**<u>ASA 320</u>** **Paragraph 14** Documentation	A reasonable and prudent auditor ought to have: (a) identified the users of the financial report and selected a benchmark consistent with their primary focus; (b) selected a percentage from the lower end of the 0.25%–2% range for total assets, reflecting the FGMF's PIE status and the consequential higher level of regulatory and financial reporting scrutiny; (c) documented the qualitative and quantitative factors considered in selecting both the benchmark and the percentage, and how each influenced the determination; (d) set performance materiality with reference to the assessed risk of material misstatement and the expectation of misstatements, and documented the percentage applied and the rationale; and (e) considered whether specific materiality was required for particular classes of transactions, account balances or disclosures.	**<u>ASA 320</u>** **Paragraph 14** Documentation **Paragraph A2** Materiality in the Context of an Audit **Paragraph A3, A4, A10, A12 and A13** Determining Materiality and Performance Materiality When Planning the Audit

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	address the assessed risk") does not identify the percentage applied, the linkage to the assessed risk of material misstatement, or the auditors' expectation of misstatements.			
B. Audit procedures planned and performed were not adequate and in breach of auditing standards				
B1. Audit procedures planned and performed for income				
6.	The audit workpapers for FY22 indicated an entity risk of '*Fraud in Revenue*', and noted that '*Revenue might be overstated due to fraud*'. There is no documentary evidence in the audit file to suggest that any audit procedures were performed to investigate or address this risk.	**ASA 240** **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud	Given fraud in revenue recognition was identified as a risk at planning, a reasonable and prudent auditor ought to have performed procedures to address this risk. If the risk assessment changed (i.e. the auditor no longer believed the risk to be material when commencing audit procedures), a reasonable and prudent auditor ought to have documented such a change in risk assessment.	**ASA 240** **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 300** **Paragraph 11** Documentation
7.	The Overall Audit Strategy Work Program did not include specific procedures planned for revenue recognition. The planned procedures for valuation of assets, which also addressed revenue recognition, were (a) "*Agree with external valuation*" (b) "*Recalc the interest accruals*" and (c) "*Assess and validate revaluation policy*". However, the audit file shows these tasks were not performed.	**ASA 330** **Paragraphs 6, 18** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 28** Audit documentation	Unless a change in approach was documented, the planned procedures for auditing income should have been performed.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 330** **Paragraphs 6, 12** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 28** Audit documentation
8.	The Revenue Audit Workpaper indicates that the revenue in the trial balance (being the FGMF's accounting software listing of balances) was agreed to the draft financial	**ASA 330** **Paragraph A5**	Net gains on financial instruments (such as financial statements) are a '*net*' balance and therefore could comprise gains and losses being	**ASA 330** **Paragraphs 6, 18:**

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	statements. Agreeing a trial balance to draft financial statements is a reconciliation exercise, not a substantive procedure, and is insufficient audit evidence on its own to reach a conclusion that revenue was materially correct. The audit file shows no actual substantive testing of the revenue balances was performed.	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	offset. A reasonable and prudent auditor would examine the breakdown of the '*net*' balances, and link unrealised gains/(losses) to the movements in the financial assets on the balance sheet. They would also obtain an understanding of which financial assets the realised gains/(losses) were from.	Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
9.	The Revenue Audit Workpaper indicates that the accounting policy applied by the FGMF in respect of each revenue type was documented. However, there was no documentation as to whether the accounting policies stated were actually appropriate under the AASB standards. The Revenue audit workpaper records the following conclusion: "*Based on our review of the revenue recognition policy and supporting documentation, the fund has recognized revenue appropriately in compliance with AASB 15*." AASB 15 Contracts with Customers is the incorrect accounting standard. Interest Income and gains on financial instruments are accounted for in accordance with AASB 9 Financial Instruments.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **ASA 315** **Paragraph 11** Risk Assessment Procedures and Related Activities	An assessment of whether management's accounting policies were (a) in accordance with relevant accounting standards and (b) actually being applied in practice, should have been performed.	**ASA 200** **Paragraphs 15, A21** Professional scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its **Paragraph A27** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				<u>ASA 500</u> **Paragraph A25** Sufficient Appropriate Audit Evidence
10.	At 30 June 2022, the FGMF had recorded in its audited financial statements: • $314 million of assets; and • total income of $3,993,772. The income from investments was low compared to the value of assets. The audit documentation did not demonstrate an understanding of whether the returns were appropriate based on the assets. The auditors also did not document in the audit documentation an understanding of the source of the interest income. This ought to have been investigated given the FGMF did not hold assets that would typically derive interest income. The FGMF's assets were investments in unlisted managed investments schemes, which, rather than interest income, typically would generate distribution income or fair value gains/losses.	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 11** The Required understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	The FGMF had $314 million of assets as at 30 June 2022 (compared to $201 million at 30 June 2021). The income from investments was relatively low compared to the value of assets - the FGMF recorded $3.99 million of income as at 30 June 2022, being 1.27% of its assets. A reasonable and prudent auditor would have obtained an understanding of, and assessed, why returns were low. The financial statements indicated interest income of $1,268,082. Under Australian Accounting Standards (AASB 9 Financial Instruments), interest income is usually derived from assets such as cash or loans receivable. Financial assets that are investments in unlisted managed investments scheme, which FGMF's financial assets were, do not generate interest income. Given that FGMF had minimal cash balances and no loans receivable, a reasonable, prudent auditor would have investigated where the interest income was being derived from. The detailed general ledger transaction listing (listing all accounting transactions during the year) identified that the interest income transaction descriptions refer to "*reinvestment from GIF*." "*GIF*" refers to the First Guardian Global Income Fund, which was a financial asset of the FGMF, and was itself a managed investment scheme. Any income from a financial asset that is a managed investment scheme such	**<u>ASA 315</u>** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 200</u>** **Paragraphs 15, A21** Professional scepticism

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
			as the GIF ought to be in the form of distribution income or fair value gains (or losses), not interest income. As such, a reasonable and prudent auditor would have further investigated the source of this income and the basis for it being recorded as interest income.	
B2. Audit procedures planned and performed for expenses				
11.	The audited financial statements as at 30 June 2022 identified an interest expense of $1,268,082. The recognition of an interest expense was unusual given the FGMF did not have liabilities, such as loans payable or lease liabilities, and, as such, should have been investigated. There is no record of such investigation being undertaken in the audit documentation.	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism	Whilst the balance of expenses is immaterial, a reasonable and prudent auditor ought to have investigated the nature of the interest expense given the lack of liabilities that would ordinarily give rise to an interest expense.	**<u>ASA 200</u>** **Paragraphs 15, A21** Professional scepticism
12.	The audit fee recorded in the audited financial statements of 30 June 2022 was $8,000. Initially, the FGMF had incorrectly recorded audit fees of $0. The misstatement was identified by the auditors and later corrected in the audited financial statements. The auditors' identification of the FGMF not accruing for audit fees should have been an indicator of a risk of completeness. There is no documentary evidence in the audit documents which demonstrates whether this was considered, or whether any other procedures were performed in this regard.	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism **<u>ASA 330</u>** **Paragraph A45** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 450</u>** **Paragraph 6 and A7** Consideration of Identified Misstatements	A reasonable and prudent auditor would have designed and performed testing to address the risk of completeness. This would usually include: (a) consideration of typical expenses for an investment fund and why there were no expenses recorded beyond interest expenses and auditor fees; and (b) unrecorded liability testing (ie selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2022). The identification of a misstatement in relation to the lack of an audit fee accrual would be an indicator for other potential completeness issues, and this would be a further prompt for completeness testing as described above.	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism **<u>ASA 315</u>** **Paragraph 6** Risk Assessment Procedures and Related Activities **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 330</u>** **Paragraphs A47, A62**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 450</u>** **Paragraphs 6, A7** Consideration of Identified Misstatements as the Audit Progresses **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
B3. Audit procedures planned and performed for financial assets				
13.	The Financial Assets Workpaper indicated that the FGMF held investments in 8 underlying funds and, of these 8 investments, only the first three (highlighted in **bold** below) were selected for testing by the auditors: • **$124,476,968 investment in the FG Australian Development Fund;** • **$71,018,204 investment in the FG Global Income Fund;** • **$58,003,519 investment in the FG Pan Asia Fund;** • $45,683,437 investment in the FG Private Equity Fund; • $10,213,090 investment in the FG Australian Opportunities Fund;	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 330</u>** **Paragraph 7** Audit Procedures Responsive to the Assessed Risks of	A reasonable and prudent auditor ought to have ensured that: (a) All investments individually greater than performance materiality ($3 million) were selected for testing; (b) additional investments were selected for testing to ensure that the total amount of untested investments was below performance materiality; and (c) there was consideration of qualitative factors which may have, in turn, ensured particular items warranted being selected (i.e. related party investments, and risk factors identified	**<u>ASA 500</u>** **Paragraph 10** Selecting Items for Testing to Obtain Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• $2,990,296 investment in the FG Absolute Equities Fund; • $1,089,165 investment in the FG Boutique Development Fund; and • $924,581 investment in the Trulet Opportunities Fund. The other five investments, totalling in value of $60.9 million, were not selected for testing. This amount is material to the financial statements based on the materiality thresholds determined by the auditors (see row 5 above). Therefore, the number of investments selected for testing was insufficient. Further, no explanation was given in the audit documentation as to why the three investments listed above were the only ones selected.	Material Misstatement at the Assertion Level **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	in other documentation such as Board Minutes). At a minimum, based on the materiality level set for the audit, a reasonable and prudent auditor would have selected the below additional investments for testing: • $45,683,437 investment in the FG Private Equity Fund; • $10,213,090 investment in the FG Australian Opportunities Fund; and • $2,990,296 investment in the FG Absolute Equities Fund.	
B3.1 Audit procedures planned and performed for the FG Australian Development Fund (FG ADF)				
14.	The Australian Development Fund Workpaper indicated that the Net Assets of the FG ADF were assumed to represent fair value. The Net Assets of an unaudited, illiquid fund (such as the FG ADF) does not automatically represent Fair Value and needed to be assessed.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG ADF, for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Subjectivity
15.	The Australian Development Fund Workpaper indicated that the auditors did not undertake any assessment of whether the valuation policy of the FG ADF complied with the FGMF valuation policy, and whether the policy was appropriate.	**<u>ASA 540</u>** **Paragraph 12** Definitions **<u>ASA 315</u>**	A reasonable and prudent auditor ought to have: (a) assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value; and	**<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 11 The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	(b) performed specific procedures to validate the valuation and the methodology applied to the FG ADF.	
16.	The Australian Development Fund Workpaper recorded a variance of $15 million between the net assets of the FG ADF and the value of the FG ADF recorded by the FGMF. The $15 million variance is noted as being related to a revaluation "*at the FGMF level*". That note is not tested or investigated in the audit documentation. The variance was also not raised in any audit documentation as an error or a misstatement.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence **<u>ASA 450</u>** **Paragraph 5** Accumulation of Identified Misstatements **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of its fair value, a reasonable and prudent auditor ought to have investigated the $15m variance further to determine: (a) the cause of the variance; (b) why the FGMF recorded a higher value; and (c) what evidence the FGMF could provide to support how this higher value was appropriate. A reasonable and prudent auditor would then verify and assess this additional information against AASB 13 Fair Value.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
17.	There is no evidence in the audit documentation to suggest that the auditors independently validated whether the FGMF in fact held 100% of the units in the FG ADF.	**<u>ASA 500</u>** **Paragraph 6**	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG ADF to ascertain whether the FGMF held 100% of the	**<u>ASA 500</u>** **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Sufficient Appropriate Audit Evidence	units. A sample of unitholding movements (if applicable) ought to have been tested.	Sufficient Appropriate Audit Evidence
18.	Only three of the FG ADF's assets were selected for testing, being: (a) $101,784,137 investment in the Chiodo Property Development Fund; (b) $12,937,081 investment in '*175 Burnley St Project*'; and (c) the $9,538,353 loan to '*Global Income Fund*'. Four other assets, with a total value of $12,393,141, were not tested. One of the FG ADF's liabilities, being a loan from the FG Pan Asia Fund valued at $26,396,629, was tested. '*Other liabilities*' of $998,112 were not tested. Assuming that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of the fund, the following inadequacies exist: (a) The FG ADF is an unaudited fund. Therefore, the auditors would need to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors' audit documentation did not document their rationale as to why the three assets and one liability referred to above were selected for testing. Further, $12.4m of assets were not tested, which was material to the net assets. (b) The FG ADF's statement of profit or loss is not included in the Australian Development Fund Workpaper. To appropriately test the net asset value of the FG ADF, consideration of the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement for the FGMF's First Guardian Australian Development Class notes that all management and performance fees were paid out of	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **ASA 530** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 315** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of FG ADF, a reasonable and prudent auditor would: (a) in the absence of an audited set of financial statements, undertake audit procedures on the balance sheet and profit or loss of the FG ADF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected the Rajomon Asset Management Account - Type A for testing given (at $9.9m) it was individually material; (c) for each asset and liability selected, obtain an understanding of the valuation method and assess whether, in respect of the relevant assets and liabilities, the relevant method provided a measure of value that reflected fair value (if not, then the FG ADF's net asset value would be unlikely to reflect an appropriate fair value); (d) review the profit or loss of FG ADF and assess whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees are being paid and/or accrued, whether this was consistent with the Product Disclosure Statement and whether there were fees missing that should be considered.)	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **ASA 530** **Paragraphs 6, 7 and 8** Sample Design, Size and Selection of Items for Testing **ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	the underlying fund (being the FG ADF). Reviewing the balance sheet alone would not be sufficient to determine whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability. Reviewing the profit or loss statement was also required for this task.			Misstatement at the Assertion Level
19.	In relation to the FG ADF's investment of $101,784,137 in the Chiodo Diversified Property Fund (**CDPF**), there is no documentation in the audit file: (a) demonstrating an understanding of what the investment was or what assets the CDPF held; (b) showing that the auditors validated the number of units the FG ADF held in the CDPF (and, subsequently, that the auditors verified what portion of the CDPF valuation related to the FG ADF's ownership); (c) recording any details of due diligence documents actually reviewed; (d) showing that the auditors obtained an external valuation; (e) recording the date of the valuation, who performed the valuation, whether the valuer was appropriate and could be relied on, or the basis of the valuation; (f) recording consideration of the issues mentioned in the FGMF's board minutes about the CDPF. This is of particular importance given the reference to "*Chiodo*" and "*CPF*" noted in the FGMF's board minutes in FY22, including the statement that "*Chiodo initiated a Statutory Demand*" and "*CPF was restructured due to its dire financial position*". There is no evidence in the audit file to suggest this was investigated further as part of FY22 audit; (g) demonstrating that any independent valuation procedures were performed.	**<u>ASA 315</u>** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 8** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 500</u>** **Paragraph 6**	A reasonable and prudent auditor would have: (a) verified the ownership percentage in the CDPF through an independent confirmation sent to the trustee of the CDPF; (b) obtained an understanding of the nature of the CDPF, including the type of fund it is and what assets it holds; (c) requested that the FGMF provide an independent valuation of the CDPF as at 30 June 2022; (d) assessed the appropriateness of any valuation expert used by the FGMF (e.g. for competence, objectivity); (e) reviewed any valuation obtained and assessed whether the valuation methodology, date of valuation and any key assumptions were appropriate, and assessed whether any further procedures were warranted (such as engaging an audit expert, or performing procedures on any data or assumptions provided to the valuer that could have been manipulated by the FGMF); and (f) investigated, with the FGMF, the impact of the '*dire financial position*' of the CDPF (noted in minutes of Board meetings of Falcon Capital Limited dated 4 August 2021 and 1 February 2022), and obtained an understanding as to how that was reflected in the valuation.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 315</u>** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 8** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 7** External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained		Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
20.	In relation to the FG ADF's investment of $12,937,081 in the '*175 Burnley St Project*', the audit documentation shows: (a) the financial statements utilised in the asset testing as supporting evidence are unaudited and therefore not a reliable source of information; (b) there are inconsistencies within the audit workpaper relating to whether FG ADF provided 175 Burnley Street Pty Ltd with a loan of $12m or whether the entire amount is an equity investment. The workpaper: • identified that the FG ADF owns shares in Burnley Street based on a share certificate, and referred to the investment as an "*equity contribution*"; • but also noted that "*As per the books of 175 Burnley St for the year ended 30 June 2022, there is a "Shareholders account – liability*"" equivalent to the investment amount; and • the unaudited financial statements refer to "*shareholder accounts*" which are classified as a liability and this mistake was not corrected; (c) it appears that 175 Burnley Street Pty Ltd has recorded a liability (i.e. a loan payable to FG ADF) rather than	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7 and 8** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 315</u>** **Paragraph 19** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 540</u>**	A reasonable and prudent auditor ought to have: (a) performed a company search as at 30 June 2022 to reconfirm if the FG ADF remained the 100% shareholder of the investment entity; (b) undertaken a company search of 175 Burnley Street Pty Ltd; (c) obtained an understanding of whether the FG ADF was providing equity funding only, a loan or a combination of the two; (d) obtained an understanding of the nature of this entity and what it was investing in; (e) assuming the investment was 100% equity, requested that the FGMF provide an independent valuation of the entity to support the valuation recorded in the FG ADF's financial statements; (f) performed required procedures on any independent valuation report (review of valuation expert, valuation methodology, timing, assumptions etc); (g) challenged the FGMF on how the valuation of $12m reflected that the entity was loss	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 8** Information to be Used as Audit Evidence **Paragraph 10**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	an equity investment, and this inconsistency has not been investigated; (d) there was no verification as to whether the FG ADF still owned 100% of the equity in 175 Burnley Street Pty Ltd as at 30 June 2022. If the FG ADF did not remain the 100% owner, then this would reduce the portion of the valuation of this entity that the FG ADF should be recognising on its balance sheet. To confirm the equity ownership, standard practice is to conduct a company search, and this would have also identified the directors of 175 Burnley Street Pty Ltd, including the common directorship held by Mr David Anderson; (e) there is no evidence in the audit file as to work performed in respect of whether the fair value of this entity was in fact $12m; (f) the unaudited financial statements disclosure that the entity is loss making ($2.7m loss for Jun-22) and net asset deficient, and there is no information as to whether the assets can be validated or supported by an external valuation. The auditors should have considered these matters and there is no evidence in the audit file that they did so; (g) the audit file also contains no analysis as to the auditors obtaining an understanding of what the investment in fact was, and how it would derive a return for the FG ADF.	**Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **<u>ASA 315</u>** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control	making and had negative net assets (i.e. did not have sufficient assets); and (h) obtained evidence of the asset(s) that had actually been acquired by 175 Burnley Pty Ltd.	Selecting Items for Testing to Obtain Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 315</u>** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **Paragraph 19(a)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 13, 14, 18 and 25** Risk Assessment Procedures and Related Activities, Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions, Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
21.	In relation to the FG ADF's loan to the Global Income Fund (**GIF**) of $9,538,353, no documentation is included in the audit workpaper demonstrating any consideration of the following: (a) the purpose of the FG ADF lending money to the FG GIF and whether such lending is permissible under each fund's product disclosure statement (**PDS**).[1] The PDSs would typically be obtained as part of the procedures conducted to understand the laws and	**ASA 250** **Paragraph 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **ASA 540** **Paragraph 8**	A reasonable and prudent auditor ought to have: (a) obtained a copy of a loan agreement between the FG ADF and the GIF; (b) obtained the PDS for each investment and verified investments aligned to the nature and type of investments disclosed in the PDS;	**ASA 315** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control

[1] For example, obtaining the Product Disclosure Statement of the FG ADF, which was included in the FY23 audit file, would have revealed that lending money is not an allowed investment by FG ADF.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	regulations applicable to the fund and to verify that the actual investment activities were consistent with those disclosed to investors in the PDS; (b) whether the $9.5m represented a fair value of the loan; (c) any interest rate being received on the loan, and whether it was an arm's length interest rate; (d) whether a loan agreement was in place; (e) whether the loan balance was inclusive of interest being accrued; and (f) whether the loan was recoverable.	Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 315</u>** **Paragraph 19(a)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**	(c) obtained an understanding of why this loan was provided given it is a related party transaction; (d) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (e) assessed whether the interest rate was a market rate of interest and therefore whether the loan balance met the requirements of fair value under accounting standards; and (f) requested management provide a recoverability assessment of the loan and then perform procedures to verify and assess whether the recoverability assessment was reasonable and supportable.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities		
22.	In relation to the loan from the FG Pan Asia Fund, recorded as a liability of $26,396,629, the audit documentation (including in either of the FG ADF or FG PAF workpapers) does not demonstrate consideration of: (a) the FG PAF being one of the FGMF's other direct investments, and is a related party given it is managed and operated by Falcon Capital; (b) the purpose of the FG ADF borrowing funds from the FG PAF; (c) whether this loan was unusual, as inter-fund borrowings are atypical transactions; (d) whether the $26.4m represented fair value; (e) what interest rate was being paid on this loan; (f) whether it was an arm's length interest rate; (g) whether there was a loan agreement in place; (h) whether the loan balance was inclusive of interest being accrued; (i) whether the loan was recoverable. (j) the recoverability of the loan.	**<u>ASA 250</u>** **Paragraphs 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **<u>ASA 315</u>** **Paragraph 19** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 6, 7** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have: (a) obtained a copy of a loan agreement between the FG ADF and the FG Pan Asia Fund; (b) obtained an understanding of the purpose of the loan, given it was a related party transaction; (c) verified that interest was being accrued at the rate agreed in any agreement, and being added to the loan balance accordingly; and (d) assessed whether the interest rate was a market interest rate, and therefore whether the loan met the requirements of fair value under accounting standards.	**<u>ASA 315</u>** **Paragraph 11** Objective of the auditor **<u>ASA 500</u>** **Paragraph 6, 7** Sufficient Appropriate Audit Evidence **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>ASA 550</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
B3.2 Audit procedures planned and performed for the FG Global Income Fund (FG GIF)				
23.	The FG GIF Workpaper indicated that the net assets of the FG GIF were assumed to represent fair value. The net assets of an unaudited, illiquid fund (like the FG GIF) do not automatically represent fair value, and need to be assessed independently.	**<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG GIF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard
24.	The FG GIF Workpaper indicated that the auditors did not undertake any assessment as to whether the valuation policy of the FG GIF complied with the FGMF valuation policy, and whether the policy was appropriate.	**<u>ASA 540</u>** **Paragraph 12** Definitions **<u>ASA 315</u>** **Paragraph 12**	A reasonable and prudent auditor ought to have: (a) assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value; and (b) performed specific procedures to validate the valuation and the methodology applied to the FG GIF.	**<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained		Risk Assessment Procedures and Related Activities
25.	The FG GIF Workpaper recorded a material variance of $7 million. This variance is noted as being related to a revaluation "*at the FGMF level*". However, the audit file contains no evidence showing that statement was tested or investigated. The variance was also not raised in any audit documents as an error or a misstatement.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	On the assumption that the net assets of the FG GIF were determined to be an appropriate approximation of its fair value, a reasonable and prudent auditor ought to have investigated the $7 million variance further to determine the cause of the variance, why the FGMF recorded a higher value, and what evidence the FGMF could provide to support how this higher value was appropriate. This additional information would then be verified and assessed against AASB 13 Fair Value.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
26.	The audit file contains no evidence that the auditors independently validated whether the FGMF in fact held 97.28% of the units in the FG GIF.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor would have obtained the unitholding register of the FG GIF to ascertain whether the FGMF held 97.28% of the FG GIF's units. A sample of unitholding movements (if applicable) ought to have been tested.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
27.	The audit file shows: (a) Only five of the FG GIF's assets were selected for testing, being: • $13,764,194 loan to '*Kanun Capital*'; • $13,255,492 loan to '*Siwa Group Limited*'; • $11,049,453 loan to '*Rogue Trader Group*'; • $6,602,430 loan to '*Fox Friday Group*'; and • The $300,000 investment in '*Burnley Street Project*' - note that this was tested in a workpaper for the FG ADF, rather than the FG GIF. (b) 20 other assets, totalling in value of $45,563,880, were not tested. (c) One of the FG GIF's liabilities, being a loan from the FG ADF, valued at $9,538,353, was tested (note, however, that this was tested in an FG ADF workpaper). (d) 'Other liabilities' of $18,434 were not tested. Assuming that the net assets of the FG GIF were determined to be an appropriate approximation of the fair value of the fund, the following inadequacies exist: (a) The FG GIF is an unaudited fund. As a result, to determine whether the net assets were materially correct, the auditors would need to validate a sufficient quantity of assets and liabilities. The auditors did not document in the audit file their rationale as to why the five assets and one liability (referred to above) were selected for testing. (b) $45.6 million of assets were not tested, which is material to the net assets. (c) The FG GIF's statement of profit or loss is not included in the workpaper. To appropriately test the net asset value of the FG GIF, consideration of the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Global Income Class notes that all management and performance fees are being paid	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	On the assumption that the net assets of the FG GIF were determined to be an appropriate approximation of the fair value of the FG GIF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG GIF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected seven additional assets (due to their value being above the materiality threshold), and one other (due to it seemingly being a loan to an individual, which on its face seems unusual for a managed investment scheme to be providing); (c) for each asset selected, obtained and understood the loan agreements, validated the amount lent to the counterparty, and ensured that the loans were accruing interest based on the agreements; (d) requested that the FGMF provide a recoverability assessment for each loan, and provide a justification as to how the FGMF was satisfied that the loans would be repaid; (e) validated the recovery assessment through the following: • review of due diligence/credit assessments performed for new loans; • identifying the security being obtained (i.e. if the loan is being used for the purchase of property, property details etc.); • obtaining evidence that Falcon Capital as trustee for the FG GIF lodged an interest in the security being taken (i.e. a lodged mortgage document for property);	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 330</u>** **Paragraph 15**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	out of the underlying fund (being the FG GIF). Without consideration if the FG GIF's profit or loss, the ability to determine whether the balance sheet of the FG GIF was complete is limited. For example, it cannot be determined from the balance sheet alone whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability.		• obtaining a copy of the external valuations on the underlying security - where the valuation of the security is likely to have changed from the previous valuation date (i.e. for a property development), obtaining updated valuations or other third-party information to support recoverability; (f) assessed whether, based on the recoverability assessment and the interest rate being charged, the loans reflected fair value under accounting standards (i.e. if they are not, then the FG GIF net asset value would unlikely be an appropriate fair value); (g) reviewed the profit or loss statements of the FG GIF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. for example what fees are being paid and/or accrued, is this consistent with the Product Disclosure Statement, and are there any fees missing that should be considered).	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 315** **Paragraph 11** Objective of the Auditor **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
28.	In relation to the review and testing of the FG GIF's loan of $13,764,194 to Kanun Capital Unit Trust (**Kanun Capital**): (a) In the audit documentation, there is no reference to the loan agreement between Kanun Capital and the FG GIF and no documentation recording information about the terms of the loan; (b) the financial statements utilised as supporting evidence are unaudited and therefore not a reliable source of information. They are also for 30 June 2021, whereas the audit is being conducted for 30 June 2022; (c) Two other loan facility agreements where Kanun Capital was the lender, which were not the loan between Kanun Capital and the FG GIF (the **Kanun**	**ASA 315** **Paragraph 11** Objective of the Auditor **ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Kanun Capital, and documented key terms including the amount of the loan, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan; (c) recalculated the interest receivable based on the loan agreement and ensured that that amount was included with the loan balance or had been repaid;	**ASA 315** **Paragraph 11** Objective of the Auditor **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	Loan Facilities), were referenced and included on the audit file. The Kanun Loan Facilities were signed by Mr Paul Chiodo as the Director of the borrowing entities. There is no documented consideration in the audit file as to whether Mr Chiodo was related to the Chiodo Diversified Property Fund (**CDPF**), an entity in which the FG ADF invested in the same financial year. This is of particular importance given the reference to "*Chiodo*" and "*CPF*" noted in the minutes of the Board meeting of Falcon Capital Limited dated 1 February 2022, including statements that "*Chiodo initiated a Statutory Demand*" and "*CPF was restructured due to its dire financial position*". There is no evidence in the audit file to suggest this was investigated further as part of FY22 audit; (a) although a reconciliation of the loan balance receivable was documented in the audit file, it does not document if any verification of the additions or repayments occurred and whether missing interest had been accrued; (b) there is no evidence in the audit file that any security position was verified; (c) two facility agreements regarding Kanun Capital are noted as referencing collateral over property, but there is no documentation in the audit file to confirm whether this was verified; (d) the 30 June 2021 unaudited financial statements refer to four mortgage loans for four different properties - however, the audit workpaper only includes reference to two such facility agreements; (e) the 30 June 2021 financial statements show no profit or loss transactions. However, the balance sheet includes items such as accrued interest receivable and accrued interest payable. Both of these items should have corresponding interest income and interest expense transactions. This casts doubt over the integrity of the unaudited financial statements; and	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified	(d) validated repayments received to bank statements; (e) validated loan funding to the loan agreement and loan settlement statements (i.e. from a solicitor if used), or requested a loan confirmation directly from Kanun Capital; (f) obtained an independent valuation on the security obtained and assessed whether that valuation could be relied upon; and (g) if the security provided was over the loans receivable in the Kanun Capital Unit Trust, validate that the Kanan Capital Unit Trust held appropriately registered security over the properties they had lent money for, including running title searches and obtaining valuations on those secured properties.	Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(f) the work performed, as evidenced by the audit file, does not substantiate that the loan to Kanun Capital was recoverable or that there was an understanding of the loan agreement in place.	Related Party Relationships and Transactions		
29.	In relation to the review and testing of the FG GIF's loan of $13,255,492 to Siwa Group Limited (being a loan to PT Lombok Bau Nyale), the audit documents show that: (a) there is no record as to what the loan was for, what the assets of the borrower were or how PT Lombok Bau Nyale (the borrower on the documents) relates to Siwa Group (the name of the loan in the balance sheet of the FG GIF); (b) no verification was undertaken regarding interest of 12% p.a. being paid monthly to the FG GIF. If such interest had not been paid, it ought to have been added to the loan balance; (c) no validation was undertaken as to the documentation of the additions to the loan during the year (the amount was simply stated), meaning that evidence was not obtained as to the accuracy, existence or completeness of the loan balance as at 30 June 2022; (d) no documented work was undertaken as to whether any security arrangements existed for the loan (and, if so, what they were), or how the auditors satisfied themselves that such security, if it existed, provided adequate coverage in respect of the loan; (e) the individual signing on behalf of the Borrower (PT Lombok Bau Nyale) in the facility agreement on file was Conrad Leigh Warren. Conrad Leigh Warren is listed in the First Guardian Pan Asia Class Product Disclosure Statement as FGMF's Head of Asian Private Equity. Therefore, this is a related party transaction. No evidence exists in the audit file to suggest the auditors considered this fact.	**<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **Paragraph 19(a)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18**	A reasonable and prudent auditor ought to have: (a) investigated the discrepancy in the names between Siwa Group and PT Lombok Bau Nyale and validate how they were related (ie PT Lombok Bau Nyale was the borrower but the loan was listed in the financial statements of the FG GIF as being to Siwa Group Limited); (b) obtained a copy of any loan agreement between the FG GIF and PT Lombok Bau Nyale, and documented the key terms including amount loaned, interest rate, term, repayment schedule, and security/collateral; (c) verified that the FG GIF obtained appropriate security when providing the loan; (d) obtained due diligence details of what PT Lombok Bau Nyale did and the purpose of the loan; (e) enquired as to why the representative of the borrower, Mr Conrad Warren, was an employee of Falcon Capital (as he was recorded as being the FGMF's Head of Asian Private Equity) and how Falcon Capital considered the arrangement to be appropriate; (f) investigated whether the loan was being given on an arm's length basis given the issue of a related party transaction would have been raised; (g) recalculated the interest receivable based on the loan agreement and ensured that the amount was included in the loan balance or had been repaid; (h) validated repayments received to bank statements;	**<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions	(i) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with PT Lombok Bau Nyale (noting that, to be relied upon, such confirmation would need to be signed by someone unrelated to Falcon Capital, i.e. not Mr Warren); (j) obtained an independent valuation on any security obtained, and assessed whether the valuation could be relied upon; and (k) obtained the FGMF's recoverability assessment of the loan and requested financial information of PT Lombok Bau Nyale.	Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
30.	In relation to the review and testing of the FG GIF's loan of $11,049,453 to Rogue Traders Group Pty Ltd (**Rogue Traders Group**), the audit file shows: (a) no details were obtained regarding the purpose of the loan or the assets of the borrower; (b) no documented work was undertaken regarding any security arrangements for the loan, and to the extent such arrangements exist, whether they were registered by the FG GIF; (c) no verification was undertaken regarding whether interest of 6% p.a. was being paid biannually to the FG GIF. If such interest had not been paid, that amount ought to have been added to the loan balance; (d) no validation was undertaken as to the additions to the loan during the year, and any repayments made (the amounts were simply stated), meaning that evidence was not provided as to the accuracy, completeness or existence of the loan balance as at 30 June 2022; (e) the loan agreement notes the initial drawdown of the loan as being 19 November 2020; however, the agreement is dated September 2021. There is no	**<u>ASA 315</u>** **Paragraph 11 and 19(a)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11**	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Rogue Traders Group, and documented key terms including loan amount, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan; (c) obtained due diligence details of what Rogue Traders Group does and the purpose of the loan provided; (d) enquired as to the appropriateness of a loan to an entity which shared a common director with the FGMF's responsible entity, and investigated whether the loan was provided on an arm's length basis; (e) recalculated the interest receivable based on the loan agreement and ensured that amount was either included with the loan balance or had been repaid;	**<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 10 and 11** Results of the External

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	documentation in the relevant workpaper regarding whether this discrepancy had been investigated; (f) no documented work was done regarding how the loan would be recoverable; (g) two directors of Rogue Traders Group signed the loan agreement, one of whom was Mr David Anderson. Mr Anderson also signed the agreement on behalf of the FG GIF. There is no evidence in the audit file of the auditors considering this agreement as a related party transaction, nor is there evidence of any required additional considerations being undertaken as a result.	Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 315** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 200** **Paragraph 15** Professional Scepticism **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related	(f) validated repayments received to bank statements; (g) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with Rogue Traders Group (which would need to be signed by someone unrelated to Falcon Capital in order to be relied upon); (h) obtained independent valuation of any security obtained and assessed whether that valuation could be relied upon; and (i) obtained the FGMF's recoverability assessment of the loan, and requested financial information of Rogue Traders Group.	Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
31.	In relation to the review and testing of the FG GIF's loan of $6,602,430 to Fox Friday Group (Fox Friday Brewing Pty Ltd), the audit file shows: (a) no details were recorded regarding the purpose of the loan, the interest rate, the maturity or the actual security interests; (b) no work was documented as being done regarding whether the FG GIF registered any security interests, and, if so, what the value of these security interests were; (c) no verification was undertaken regarding whether interest was being paid to the FG GIF. If not, the interest amount ought to have been added to the loan balance; (d) no validation was undertaken regarding the actual amount funded (the amount was simply stated), meaning no evidence was provided regarding the accuracy, existence or completeness of the loan balance as at 30 June 2022; (e) no work was documented as being undertaken regarding how the loan would be recoverable; (f) the financial statements utilised as supporting evidence were unaudited and therefore not a reliable source of information upon which to base the audit; (g) no documentation was recorded regarding how the auditors challenged the recoverability of the loan in circumstances where the borrower was loss making	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Fox Friday Group, and documented key terms including loan amount, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan; (c) obtained due diligence details of the business of Fox Friday Brewing Pty Ltd and the purpose of the loan provided; (d) enquired as to the appropriateness of a loan to an entity which shared a common director with the FGMF's responsibility entity, and subsequently investigated whether the loan was provided on an arm's length basis; (e) investigated why there were multiple loans to businesses that were director or employee-related to the FG GIF; (f) recalculated the interest receivable based on the loan agreement and ensured this was included with the loan balance or had been repaid; (g) validated loan funding to bank statements, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation	**<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	and did not appear to be trading, and the funding provided through the loan was seemingly lent to three other related entities; (h) two directors of Fox Friday Brewing Pty Ltd signed the loan agreement, one of them being Mr David Anderson, who also signed the agreement on behalf of the FG GIF. There is no evidence in the audit file as to the auditors considering this agreement as a related party transaction, nor is there evidence to suggest that any required additional considerations were given to the transaction as a result; and (i) Mr Anderson also signed the loan agreement in his capacity as a director of two of the guarantors of the loan (Fox Friday Richmond and Fox Friday Moonah). There is no evidence in the audit file as to the auditors considering this agreement as a related party transaction, nor is there evidence to suggest that any required additional considerations were given to the transaction as a result.	**Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions	directly with Fox Friday Brewing Pty Ltd (which would need to be signed by someone unrelated to Falcon Capital to be relied upon); (h) obtained independent valuation of any security obtained, and assessed whether that valuation could be relied upon; and (i) obtained the FGMF's recoverability assessment of the loan, and validated the key assumptions used in the same.	Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B3.3 Audit procedures planned and performed in relation to the First Guardian Pan Asia Fund (FG PAF)				
32.	The FG PAF Workpaper indicated that the net assets of the FG PAF were assumed to represent fair value. The net assets of an unaudited, illiquid fund (like the FG PAF) do	**<u>ASA 230</u>** **Paragraph 8**	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG PAF (for example, whether	**<u>ASA 540</u>** **Paragraph 8 and 10**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	not automatically represent fair value, and need to be assessed independently.	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved).	Key Concepts of this Accounting Standard
33.	The FG PAF Workpaper indicated that the auditors did not undertake any assessment of whether the valuation policy of the FG PAF complied with the FGMF valuation policy, and whether the policy was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 540** **Paragraph 12** Definitions	A reasonable and prudent auditor ought to have: (a) assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value; and (b) performed specific procedures to validate the valuation and the methodology applied to the FG PAF.	**ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
34.	The auditors did not independently validate whether the FGMF in fact held 100% of the units in the FG PAF.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG PAF to ascertain whether the FGMF in fact held 100% of the units. A sample of unitholding movements (if applicable) ought to have been tested.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
35.	Only two of the FG PAF's assets were selected for testing, being: • The $12,795,511 asset titled 'Interactive Brokers Transfer'; and • The $26,396,329 loan to the FG ADF. Four other assets, totalling in value of $18,811,679, were not tested. Assuming the net assets of the FG PAF were determined to be an appropriate approximation of the fair value of the fund, the following inadequacies exist: (a) The FG PAF was an unaudited fund. Therefore, the auditors would need to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale as to why only two assets were selected for testing. $18.8 million of assets were not tested, which is material to the net assets. (b) The FG PAF's statement of profit or loss is not included in the workpaper. To appropriately test the net asset value of the FG PAF, consideration as to the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Pan Asia Class notes that all management and performance fees were paid out of the underlying fund (ie the FG PAF). It cannot be determined from the balance sheet alone whether, for example, all management and performance fees have been correctly accounted for and, where applicable, accrued as a liability.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **ASA 530** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	On the assumption that the net assets of the FG PAF were determined to be an appropriate approximation of the fair value of FG PAF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG PAF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected one other additional asset (FG PAF's investment in '*AEF*', valued at $17.7 million) due to its value being above the materiality threshold; (c) for each asset selected to be tested, obtained an understanding of the valuation method and assessed whether the assets were measured at a value that reflected fair value (if not, it is unlikely the FG PAF net asset value would be an appropriate fair value); (d) reviewed the profit or loss statements of the FG PAF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees were being paid and/or accrued, was this consistent with the Product Disclosure Statement and were there any fees missing that should be considered).	**ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence **ASA 530** **Paragraphs 6, 7 and 8** Sample Design, Size and Selection of Items for Testing **ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
36.	In relation to the review and testing of the $12,795,511 asset of the FG PAF named '*Interactive Brokers Transfer*', which was limited to a review of the "*summary statement*" from Interactive Brokers Australia Pty Ltd" (**Interactive Brokers**), the audit file shows: (a) no details were recorded regarding the form of the summary statement received from Interactive Brokers; (b) no details were recorded in the audit file regarding whether the summary statement was provided directly by management, or whether it was obtained from Interactive Brokers directly (i.e. via an external confirmation); (c) no details were provided in the audit file as to the holdings of the Interactive Brokers account (i.e. Shares, ETFs, currencies, options, bonds); (d) there is no documentary evidence in the audit file regarding interrogation of how a statement from Interactive Brokers was sufficient to be relied upon entirely for existence and valuation (i.e. how were the FGMF and the auditors sure that Interactive Brokers had appropriate internal controls to ensure reliable statements to be produced); (e) no procedures were performed on the valuation of the assets held by Interactive Brokers; and (f) a reference was made to "*Net liquidation value*" without explaining the meaning of that term, and why it was representative of fair value under AASB 13.	**<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 505</u>** **Paragraph 7** External Confirmation Procedures **Paragraph 10** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have: (a) obtained the statement that the FGMF noted it received from Interactive Brokers either directly from the company via a confirmation sent directly from the auditor, or via the FGMF logging into any relevant account and downloading the statement with the auditor present. Any method utilised would be documented; (b) retained a copy of the Interactive Brokers statement on the audit file; (c) confirmed the valuation of the assets in the statement to third party sources as at 30 June 2022 (i.e. by tracing a sample through to prices quoted on the relevant stock exchanges); (d) enquired whether Interactive Brokers had any internal controls, audits, or reporting that could be obtained to understand how the statements from Interactive Brokers could be relied upon for the existence of the assets; and (e) if no internal control reports were available, considered performing sample testing on the transactions during the year to validate the existence of the assets held at 30 June 2022.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 330</u>** **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 10 and 11** Results of the External Confirmation Procedures
37.	In relation to the FG PAF's loan of $26,396,329 to the FG ADF (which, given it is one of the FGMF's other direct	**<u>ASA 250</u>** **Paragraph 13 and 14**	A reasonable and prudent auditor ought to have:	**<u>ASA 315</u>** **Paragraph 11**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	investments and is managed and operated by Falcon Capital, is a related party), there was no documentation in the audit workpaper demonstrating consideration of the following matters: (a) the purpose of the FG PAF lending money to the FG ADF, which appears unusual given lending money is not an allowed investment under the FG PAF's Product Disclosure Statement; (b) whether the loan's value of $26.4 million represented fair value; (c) the interest rate being received on the loan; (d) whether the loan was provided at an arm's length interest rate; (e) whether a loan agreement was in place documenting the terms of the loan; (f) whether the loan balance was inclusive of interest being accrued; and (g) whether the loan was recoverable.	The Auditor's Consideration of Compliance with Laws and Regulations **<u>ASA 315</u>** **Paragraph 11** Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified	(a) obtained a copy of any loan agreement between the FG ADF and the FG PAF; (b) obtained an understanding of why the loan was provided, given it was a related party transaction; (c) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (d) assessed whether the interest rate was a market rate, and therefore assessed whether the loan balance met the requirements of fair value under relevant accounting standards; and (e) requested management provide a recoverability assessment of the loan and then perform procedures to verify and assess whether the recoverability assessment was reasonable and supportable.	Objective of the Auditor **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Related Party Relationships and Transactions		
B4. Audit procedures planned and performed for liabilities				
38.	The audit fee recorded in the audited financial statements of 30 June 2022 was $8,000. Initially, the FGMF had incorrectly recorded audit fees of $0. The misstatement was identified by the auditors and later corrected in the audited financial statements. The auditors' identification of the FGMF not accruing for audit fees should have been an indicator of a risk of completeness. There is no documentary evidence in the audit file to demonstrate whether this was considered, or whether any other procedures were performed in this regard.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 330** **Paragraph A45** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ParagraphA62** Evaluating the Sufficiency and Appropriateness of Audit Evidence **ASA 450** **Paragraphs 6, A7** Consideration of Identified Misstatements as the Audit Progresses	The identification of a misstatement for lack of audit fee accrual would be an indicator for other potential completeness issues. As such, testing to address the risk of completeness should have been designed and performed, which ought to have included: (a) Unrecorded liability testing (selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2022); and (b) Consideration of typical expenses for an investment fund and whether there were any omitted liabilities as at 30 June, such as distribution expenses (returns paid to unitholders), responsible entity fees, investment manager fees, tax advisor fees, etc.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 315** **Paragraph 6** Risk Assessment Procedures and Related Activities **Paragraph 11** Objective of the Auditor **ASA 330** **Paragraphs A45 and A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph A62** Evaluating the Sufficiency and Appropriateness of Audit Evidence **ASA 450** **Paragraphs 6, A7**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Consideration of Identified Misstatements as the Audit Progresses **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
39.	The FY21 financial statements for the FGMF indicated that the balance of pending redemptions payable was $7,519,354, which was a material amount. However, the FY22 financial statements showed this balance as being nil. The audit file contains no evidence of analytical procedures performed to identify unusual movements. This would have indicated that the balance of pending redemptions payable in the prior period financial statements was material ($7,519,354), which should have prompted further consideration and investigation into why the balance was nil at 30 June 2022 and whether there was a risk of incomplete liabilities that had not been considered.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 330** **Paragraph A45** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 315** **Paragraph A27** The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control **ASA 520** **Paragraph 7**	A reasonable and prudent auditor would have: (a) investigated and verified the reason for a material movement in the pending redemption payable being reduced down to nil as at 30 June 2022; and (b) checked whether any redemption requests had been made by unitholders before 30 June that had not yet been paid.	**ASA 315** **Paragraph 14(b)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Investigating Results of Analytical Procedures		
B5. Audit procedures planned and performed for net assets attributable to unitholders				
40.	The audited financial statements of the FGMF as at 30 June 2022 recorded $129,547,367 in '*applications*' (i.e. new funds received by new or existing investors). In return for providing '*applications*', investors receive units based on the unit price of the fund as at the date of the application. The audit file contains no evidence to suggest audit evidence was obtained by the auditors to validate the occurrence and accuracy of these applications.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have selected a sample of application transactions for substantive testing. The testing performed for each selected sample should have included the following procedures: (a) obtaining the subscription/application forms completed by the unitholder; (b) agreeing the details of the application form to accounting recorded i.e. the name of the unitholder, the dollar amount being invested, the date of the application; (c) recalculating the unit price (dollar amount invested divided by units issued) and verifying that the unit price agreed to the FGMF's unit price schedule at the date of the application to ensure the application was recorded at the correct unit price; and (d) agreeing the application amount to monies received in the bank statement to verify receipt of funds.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
41.	The audited financial statements of the FGMF as at 30 June 2022 recorded $12,441,622 in '*redemptions*' (i.e. the funds to be paid to unitholders upon their exit from a fund, at which point they relinquish their units in the fund in exchange for cash based on the unit price of the fund as at the date of the redemption). No audit evidence was obtained by the auditors to validate the occurrence and accuracy of these redemption applications.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have selected a sample of redemption transactions for substantive testing. The testing performed for each selected sample should have included the following procedures; (a) obtaining the redemption request completed by the unitholder; (b) agreeing the details of the redemption request to accounting records (i.e. the name of the unitholder, the dollar amount or number of units requested to be redeemed, and the date of the redemption); (c) recalculating the unit price (dollar amount redeemed divided by number of units	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
			redeemed) and verifying that the unit price agreed to the FGMF's unit price schedule at the date of the redemption to ensure the redemption was recorded at the correct unit price; and (d) agreeing redemptions to monies paid in the bank statement to verify the redemptions had been paid.	
42.	The audit file shows the auditors did not undertake any testing of transactions around the year-end, to address any risk of premature recognition of applications or delayed recognition of redemptions that may have been used in an attempt to inflate Net Asset Value (**NAV**).	**<u>ASA 330</u>** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor would have selected a sample of applications and redemptions close to balance date (i.e. transactions near the end of 30 June 2022 and transactions at the start of July 2022) for cut-off testing. The same procedures set out in rows 40 and 41 above would be performed, with a specific focus on reviewing the date of the application or redemption and ensuring the transaction was recorded in the correct period.	**<u>ASA 330</u>** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level
43.	In its risk assessment, the auditors identified a risk that there was an '*error in unit pricing*'. The audit file shows this risk was not tested or investigated further. Prima facie, the application and redemption amounts noted in the audit workpaper appear unusual, as they imply that either unit pricing is incorrect, or either of the unit or dollar values is incorrect. Whilst no further information is available in the workpaper to assess whether or not an error is present, the composition of the reconciliation ought to have prompted further investigation. No evidence of any such investigation exists in the audit file.	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism **<u>ASA 330</u>** **Paragraph 5** Overall Responses **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 9** Sufficient Appropriate Audit Evidence	Analytical review ought to have been performed on units issued (including comparing the average unit pricing of applications and redemptions) to identify any anomalies or unusual movements. Any such anomalies or unusual movements ought to have been investigated further.	**<u>ASA 315</u>** **Paragraphs 6(b), A27** Risks of Material Misstatement, Analytical Procedures Performed as a Risk Assessment Procedure **<u>ASA 520</u>** **Paragraph 7** Investigating Results of Analytical Procedures

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 11 Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 520** **Paragraph 7** Investigating Results of Analytical Procedures		
B6. Audit procedures planned and performed for Related Party Transactions				
44.	The auditors had identified in the Audit Plan Document that related party transactions were a key focus area and completed a risk assessment checklist. The audit file shows no other procedures were performed by the auditors to respond to this risk and the planned procedures were not carried out. The audit file also shows that: (a) the understanding of related party transactions that was documented by the auditors was minimal and did not demonstrate an understanding of the magnitude of related party transactions that were occurring in the FGMF; (b) these related party transactions included the direct investments of FGMF, which were mostly to funds that were related parties of the FGMF; (c) in some cases, these underlying related party funds also had underlying assets that consisted of related party transactions which the auditors ought to have been able to identify in their audit.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 6(c)** Risk Assessment Procedures and Related Activities **Paragraphs 11, 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 550** **Paragraphs 11, 13, 14, 15**	A reasonable and prudent auditor would obtain a thorough understanding of the related parties and transactions connected to the FGMF. This would include: (a) obtaining management's related party register; (b) discussions with management and the directors; (c) review of board minutes; (d) review of previous audit files; (e) review of group/entity/investment structures; and (f) undertaking company and/or director searches.	**ASA 315** **Paragraph 6(c)** Risk Assessment Procedures and Related Activities **Paragraphs 11, 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 550** **Paragraphs 11, 13, 14, 15** Risk Assessment Procedures and Related Activities **Paragraph 21** Responses to the Risks of Material Misstatement Associated with Related Party

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities **Paragraph 21** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Relationships and Transactions
45.	There is no documented evidence in the audit file to suggest that the auditors recorded the existence of related party transactions as representing a fraud risk factor that needed to be considered in the audit plan.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 22, 24 and 25** Risk Assessment Procedures and Related Activities **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement due to Fraud **ASA 315** **Paragraph 26** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraphs 18, 19**	Where related party transactions are found to exist, the auditor should assess and document whether there are elevated levels of risk due to fraud or error from these and whether there are opportunity or incentives.	**ASA 240** **Paragraphs 22, 24, 25** Risk Assessment Procedures and Related Activities **Paragraph 26** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraphs 26, 28** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraphs 18, 19** Identification and Assessment of the Risks of Material Misstatement Associated with

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Related Party Relationships and Transactions
46.	There is no documented evidence in the audit file to suggest that the auditors undertook searches for undisclosed related party transactions, or, for related party transactions disclosed (such as the payment of the FGMF's fees by underlying investments), that validation of these transactions was undertaken.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 33(c)** Audit Procedures Responsive to Risks Related to Management Override of Controls **ASA 315** **Paragraph 26** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraphs 18, 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	For managed investment schemes specifically, related party transactions should be reviewed against product disclosure statement (**PDS**) documents to ensure that they are fully disclosed to investors and to assess whether the PDS states any specific requirements for related party transactions i.e. approval by the unitholders.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 250** **Paragraphs 13, 14** The Auditor's Consideration of Compliance with Laws and Regulations **ASA 315** **Paragraph 11(a)** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 550** **Paragraph 23(b)** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
47.	In the audit plan, the auditors planned that they would challenge the FGMF's valuations of related party transactions, and the FGMF's assessment of those transactions being arm's length. There is no documented evidence in the audit file to suggest that the auditors in fact completed these procedures, or that it had challenged the FGMF's valuations and assessments in any other way.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 300** **Paragraph 5** Involvement of Key Engagement Team Members **ASA 330** **Paragraphs 7, 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 540** **Paragraphs 8, 10, 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 22, 23 and 24** Responses to the Risks of Material Misstatement Associated with Related	Specific procedures should be designed and undertaken on related party transactions identified during the audit. This should include obtaining, reviewing and documenting any relevant agreements in place for these transactions, assessing whether the transactions are at arm's length and applying extra scrutiny to information provided about these transactions or from related parties to ensure the information is reliable.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 240** **Paragraph 33(c)** **ASA 240** **Paragraph 33(c)** Audit Procedures Responsive to Risks Related to Management Override of Controls **ASA 500** **Paragraphs 7, 8, 9** Information to Be Used as Audit Evidence **ASA 540** **Paragraphs 8, 10, 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 22, 23, 24** Responses to the Risks of Material Misstatement Associated with Related Party

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Party Relationships and Transactions		Relationships and Transactions
48.	The FGMF's audited financial report for FY22 states that there are no related party transactions for the year ending 30 June 2022. This is a materially incorrect statement in circumstances where the auditors ought to have been able to identify, based on the materials provided to them, multiple related party transactions.	**<u>ASA 550</u>** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **Paragraph 26** Written Representations **<u>ASA 700</u>** **Paragraph 6** Objectives **Paragraphs 13(c), 13(d), 14** Forming an Opinion on the Financial Report **Paragraphs 17, 18** Form of Opinion	An auditor should verify that all related party transactions identified during the audit are accurately disclosed in the financial report.	**<u>ASA 550</u>** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **Paragraph 26** Written Representations **<u>ASA 700</u>** **Paragraphs 13(c), 13(d), 14** Forming an Opinion on the Financial Report
B7. Audit procedures planned and performed to address an auditor's responsibilities relating to fraud in an audit of a financial report				
49.	There is no evidence in the audit file to indicate that any planning occurred between audit team members to discuss the likelihood and susceptibility of fraud in the FGMF's financial report. Even if Mr Khan was the sole auditor, as part of the risk assessment to be undertaken, the audit file was required to include documentation demonstrating how the audit team considered where fraud risks may exist.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 230</u>** **Paragraphs 8, 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	A discussion with the engagement team ought to have been held and documented (or in absence of other team members, documentation should still have occurred) demonstrating considerations of the likelihood and susceptibility of fraud in the financial report and identification of any fraud risk factors.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 220</u>** **Paragraph 14** Assignment of Engagement Teams **Paragraphs 15, 16 and 17**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		ASA 240 **Paragraph 16** Discussion among the Engagement Team **Paragraph 44** Reporting Fraud to an Appropriate Authority Outside the Entity **ASA 315** **Paragraph 10** Risk Assessment Procedures and Related Activities		Engagement Performance **ASA 230** **Paragraph 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 16** Discussion among the Engagement Team **Paragraph 44** Reporting Fraud to an Appropriate Authority Outside the Entity **ASA 315** **Paragraph 10** Risk Assessment Procedures and Related Activities
50.	The audit file shows the majority of the FGMF's direct investments were unaudited, unregistered funds managed by Falcon Capital (the responsible entity for the FGMF). These were unaudited related parties which ought to have been considered in the auditors' fraud risk assessment. The documents included in the audit plan make no reference to potential fraud risk from related party transactions, in circumstances where the FGMF's structure	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	Specific consideration ought to have been given (and documented) to whether the large number of related party transactions represented a fraud risk that required specific audit procedures to be designed and performed.	**ASA 240** **Paragraphs 22, 24** Risk Assessment Procedures and Related Activities **Paragraph 26** Identification and Assessment of the Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	meant that such a risk should have been included in the auditors' fraud risk assessment.	<u>**ASA 240**</u> **Paragraph 24** Risk Assessment Procedures and Related Activities **Paragraph 26** Identification and Assessment of the Risks of Material Misstatement Due to Fraud <u>**ASA 315**</u> **Paragraphs 26, 28** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraph 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Misstatement Due to Fraud <u>**ASA 315**</u> **Paragraphs 26 and 28** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraphs 18, 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
51.	There is no documented evidence in the audit file showing how the auditors reached a conclusion that the FGMF's funds under management were growing in line with expectations (36% in one financial year), in circumstances where such a percentage increase would usually warrant further investigation to understand whether it represented a risk or fraud or error.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 240**</u> **Paragraphs 22, 23**	The large growth in total assets of the FGMF, when contrasted against the accompanying small growth in revenue, should have prompted further investigation by the auditors.	<u>**ASA 200**</u> **Paragraph 15** Professional Scepticism <u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained

ANNEXURE B
FY22 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities **<u>ASA 315</u>** **Paragraph 6(b)** Risk Assessment Procedures and Related Activities **<u>ASA 520</u>** **Paragraph 5** Substantive Analytical Procedures **Paragraph 7** Investigating Results of Analytical Procedures		**<u>ASA 240</u>** **Paragraph 23** Risk Assessment Procedures and Related Activities **Paragraph A11** Discussion among the Engagement Team **<u>ASA 315</u>** **Paragraph 6(b)** Risk Assessment Procedures and Related Activities **Paragraph 31** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 520</u>** **Paragraph 5** Substantive Analytical Procedures

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Paragraph 7 Investigating Results of Analytical Procedures
52.	In their response to a requirement to obtain an understanding of the FGMF's controls related to significant risks related to fraud, the auditors incorrectly reference the compliance plan checklist. However, the auditors subsequently identify a fraud risk relating to revenue recognition, which is not something that the FGMF's compliance plan checklist addresses.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 26 and 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 330** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	Procedures should have been designed and performed that specifically address the fraud risk that was identified. Substantive tests of details, at a minimum, should have been performed to address the auditors' identified significant risk relating to potential fraud in revenue recognition. Procedures should have been designed and performed that specifically address the fraud risk that was identified.	**ASA 240** **Paragraph 28** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraphs 29 and 30** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 330** **Paragraphs 7, 18 and 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
53.	There is no evidence in the audit file to suggest that the auditors performed the planned procedures set out in the audit plan in respect of the risk of fraud in revenue recognition.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 240**</u> **Paragraphs 27 and 28** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud <u>**ASA 300**</u> **Paragraph 12** Additional Considerations in Initial Audit Engagements <u>**ASA 330**</u> **Paragraphs 7, 18 and 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <u>**ASA 500**</u> **Paragraph 6**		

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Sufficient Appropriate Audit Evidence		
54.	There is no evidence in the audit file to suggest that the auditors performed the planned journal testing procedures set out in the audit plan.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 32, 33 and 34** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	As mandatorily required by ASA 240, an evaluation of the controls around journal entries should have been performed and documented. A reasonable and prudent auditor also ought to have tested a sample of journal entries.	**ASA 240** **Paragraphs 32, 33 and 34** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity **ASA 315** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **Paragraphs 21 and 22** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 330**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Paragraphs 8 and 10 Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
55.	There is no evidence in the audit file to suggest that the auditors corroborated or challenged any estimates provided by the FGMF for bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9**	Accounting estimates provided by the FGMF ought to have been audited, including undertaking evaluation of management bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Information to Be Used as Audit Evidence **ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement		**ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement
B8. Audit procedures planned and performed for Financial Statement Disclosures				
56.	There is no documented evidence in the audit file to demonstrate how each amount and disclosure in the signed financial statements of the FGMF had been validated or agreed to be audited information. In particular, in the 30 June 2022 audited financial statement, there is no evidence in the audit file of the following key disclosures having been validated: • Cash flow statement; • Note 3: Financial assets at fair value through profit or loss - the allocation of financial assets between Equity, Property and Fixed Income; • Note 11: Financial Instruments; • Note 12: Fair Value measurement. The allocation of financials assets between level 1, 2 and 3 fair values; • Note 14: Net assets attributable to unit holders. Application and redemption movements.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraphs 11 and 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **Paragraph 26**	As part of planning and risk assessment, a reasonable and prudent auditor ought to: (a) Identify and assess whether there are any risks associated with financial statement disclosures, including risk of omissions; (b) perform a test of completeness and accuracy of the disclosures by agreeing the information disclosed in the financial statements to audited information (i.e. the audited trial balance or information included in the financial assets workpapers) or by performing additional audit procedures to ensure all material disclosures have been verified; (c) complete a disclosure checklist to ensure completeness of the disclosures required under Australian Accounting Standards;	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 22 and 24** Risk Assessment Procedures and Related Activities **ASA 260** **Paragraph 16(b)** Matters to be Communicated

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 700</u>** **Paragraphs 13(e) and 14** Forming an Opinion on the Financial Report	(d) consider the impact of any disclosure errors or omissions on the audit opinion and request management to make corrections.	**<u>ASA 300</u>** **Paragraph 9** Planning Activities **Paragraph 12** Documentation **<u>ASA 315</u>** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **Paragraph 26** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraphs 15 and 20** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report

ANNEXURE B
FY22 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				<u>**ASA 450**</u> **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 8** Communication and Correction **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements <u>**ASA 540**</u> **Paragraphs 18 and 20** Responses to the Assessed Risks of Material Misstatement <u>**ASA 550**</u> **Paragraph 6** Responsibilities of the Auditor **Paragraph 9** Objectives **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 24**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **<u>ASA 700</u>** **Paragraphs 11, 13(c), 13(d), 13(e) and 14** Forming an Opinion on the Financial Report **Paragraph 17 and 18** Form of Opinion **<u>ASA 720</u>** **Paragraph 14** Reading and Considering the Other Information
57.	Note 3 of the FGMF's FY22 financial statement allocates the FGMF's financial assets between Equity, Property and Fixed Income. The FGMF's investments were held directly in other managed investment schemes. That is, the FGMF did not hold any direct property or fixed income assets. It only held assets indirectly through the units it held in underlying managed investment schemes. To a third party, this disclosure could be seen as trying to demonstrate the FGMF's indirect exposure to different classes of assets by '*looking through*' the direct investment to the underlying assets. However, the disclosure does not	**<u>ASA 315</u>** **Paragraph 11** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **Paragraph 20** Identifying and Assessing the Risks of Material Misstatement	The steps of a reasonable and prudent auditor stated in row 56 at column IV are repeated.	The list of relevant ASAs stated in row 56 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	make this clear and it reads as if these are direct assets held by the FGMF. This is a disclosure breach of the Australian Accounting Standards, specifically: • AASB 7 Financial Instruments: Disclosures paragraphs 6, 8, 31, 33, 34; • AASB 101 Presentation of Financial Statements paragraphs 17(c), 112 (c).	**ASA 330** **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **ASA 540** **Paragraph 20** Responses to the Assessed Risks of Material Misstatement **ASA 700** **Paragraph 6** Objectives **Paragraphs 13(c) and 13(d))** Forming an Opinion on the Financial Report		
58.	Note 8 of the FGMF's FY22 financial statement relates to related party transactions. The disclosure in this Note notes that the FGMF has no related party transactions. This cannot be correct, given at least seven of the eight direct investments held by the FGMF were unregistered funds that were managed and operated by Falcon Capital Limited (the responsible entity of the FGMF). These unregistered	**ASA 240** **Paragraph 24** Risk Assessment Procedures and Related Activities **ASA 450**	The steps of a reasonable and prudent auditor stated in row 56 at column IV are repeated.	The list of relevant ASAs stated in row 56 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	funds themselves have underlying investments that are transactions with entities related to Mr David Anderson, a director of Falcon Capital Limited. This is a disclosure breach of the Australian Accounting Standards, specifically: • AASB 124 Related Party Disclosures paragraphs 13, 17, 18, 19, 21, 23.	**Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **ASA 550** **Paragraph 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **ASA 700** **Paragraphs 13(c) and 14** Forming an Opinion on the Financial Report		
59.	Note 12 of the FGMF's FY22 financial statement, relating to fair value measurement, shows that FGMF's financial	**ASA 200** **Paragraph 15**	The steps of a reasonable and prudent auditor stated in row 56 at column IV are repeated.	The list of relevant ASAs stated in row

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	assets are mostly assets with valuations that fall in the 'Level 1' or 'Level 2' fair value category. This disclosure informs users as to how valuations have been determined and, importantly, how much estimation and judgement was needed in determining the valuations of the assets. • Level 1 fair value assets are the most reliable valuations (as they are valued using prices quoted in active independent markets, such as shares trading on the ASX). • Level 2 fair value assets are those where valuation is based on observable inputs, but not a quoted market (e.g. a unit price from an external investment manager where there is regular unit pricing data and audited financials available to support the unit pricing). • Level 3 fair values are unobservable inputs, driven by models and significant management judgement. The FGMF's financial assets were in related party unaudited managed investment schemes. Based on the above descriptions, these assets would usually constitute a level 3 valuation and consequently be disclosed as level 3 fair values. The assets held by the underlying managed investment schemes, which included mostly equity investments in private companies and loans to private entities, would largely also be Level 3 assets. The explanation of the level 2 property assets valuation included in the Note is specifically describing a Level 3 valuation. Additionally, the methodology described in the Note is not consistent with any of the evidence obtained by the auditors and held on the audit file in relation to the financial assets audit procedures (see above sections of this annexure).	Professional Scepticism **ASA 315** **Paragraph 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **ASA 500** **Paragraph 9** Information to Be Used as Audit Evidence **ASA 540** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraphs 20**		56 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	Finally, the FGMF's disclosure in this Note seems to be trying to demonstrate the fair value of the FGMF's indirect exposure to the different classes of assets by '*looking through*' the direct investment to the underlying assets. However, the disclosure does not make this clear and is therefore misleading. The above matters are disclosure breaches of the Australian Accounting Standards, specifically: • AASB 7 Financial Instruments: Disclosures paragraphs 25,27 • AASB 13 Fair Value paragraphs 72, 73, 76, 81, 86, 87, 91, 93	Responses to the Assessed Risks of Material Misstatement **ASA 700** **Paragraph 6** Objectives **Paragraphs 13(c) and 13(d))** Forming an Opinion on the Financial Report		
C. Insufficient audit documentation was prepared and/or maintained in breach of auditing standards				
60.	Refer to rows 9, 10 13,14, 15, 16, 18, 19, 23, 24, 25, 27, 32, 33, 35, 44, 45, 46, 47, 49, 50, 51, 52, 53, 54, 55 and 56 of section B of this annexure.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained	Refer to rows 9, 10 13,14, 15, 16, 18, 19, 23, 24, 25, 27, 32, 33, 35, 44, 45, 46, 47, 49, 50, 51, 52, 53, 54, 55 and 56 of section B of this annexure.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained
D. Insufficient audit evidence was obtained in breach of auditing standards				
61.	Refer to rows 8, 9, 10, 16, 17, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29, 30, 31, 34, 35, 36, 37, 40, 41, 46, 53, 55 and 56 of section B of this annexure.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	Refer to rows 8, 9, 10, 16, 17, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29, 30, 31, 34, 35, 36, 37, 40, 41, 46, 53, 55 and 56 of section B of this annexure.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
62.	Refer to rows 20, 21, 22, 28, 29, 30, 31, 36 and 37 of section B of this annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence	Refer to rows 20, 21, 22, 28, 29, 30, 31, 36 and 37 of section B of this annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence
63.	Refer to rows 19 and 20 of section B of this annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence	Refer to rows 19 and 20 of section B of this annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
64.	Refer to rows 16, 19, 25, 43, 46 and 55 of section B of this annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence	Refer to rows 16, 19, 25, 43, 46 and 55 of section B of this annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence
65.	Refer to rows 20, 28, 30, 31, 36 and 43 of section B of this annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence	Refer to rows 20, 28, 30, 31, 36 and 43 of section B of this annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence

ANNEXURE C
FY23 Financial Audit

Details of Australian Auditing Standards (ASA) referenced in Annexure C			
ASA	**Title**	**Compilation date**	**Operative date**
ASA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 230	Audit Documentation (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 260	Communication With Those Charged with Governance	8 July 2020	For financial reporting periods ending on or after 15 December 2016
ASA 300	Planning an Audit of a Financial Report (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 315	Identifying and Assessing the Risks of Material Misstatement	4 February 2020	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 320	Materiality in Planning and Performing an Audit (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 330	The Auditor's Responses to Assessed Risks (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 450	Evaluation of Misstatements Identified during the Audit (Compiled)	14 September 2017	For financial reporting periods beginning on or after beginning on or after 1 January 2018
ASA 500	Audit Evidence (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 505	External Confirmations (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 510	Initial Audit Engagements - Opening Balances	14 December 2021	For financial reporting periods ending on or after 1 January 2010
ASA 520	Analytical Procedures (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 530	Audit Sampling (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 540	Auditing Accounting Estimates and Related Disclosures (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 550	Related Parties (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 700	Forming an Opinion and Reporting on a Financial Report (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 720	The Auditor's Responsibilities Relating to Other Information	8 July 2020	For financial reporting periods ending on or after 15 December 2016

ANNEXURE C
FY23 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
A. Audit planning was inadequate and in breach of auditing standards				
1.	In their Risk Assessment checklist, the auditors marked the engagement team discussion regarding material misstatement due to fraud as "Completed". However, no explanations were provided, or other documents identified that evidence that the discussion took place, who participated and what was discussed. Such discussions are required to cover how and where the entity's financial report may be susceptible to material misstatement due to fraud (including how fraud might occur) and the identified controls that address assessed risks of material misstatement due to fraud. The audit file also lacks: (a) evidence that the discussion took place between the engagement partner and other key engagement team members; (b) documentation of the matters discussed, in particular the application of the applicable financial reporting framework and the susceptibility of FGMF's financial report to material misstatement; (c) identification of any engagement team members not involved in the discussion and the matters communicated to those members; and (d) documentation of the significant decisions reached.	**ASA 300** **Paragraph 5** Involvement of Key Engagement Team Members **ASA 315** **Paragraph 17** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation	A reasonable and prudent auditor ought to have: (a) held a documented engagement team discussion at the planning stage, involving the engagement partner and other key engagement team members; (b) where any key engagement team members were not present, documented who they were and what matters were communicated to them, and how this was done; and (c) recorded in the audit file the date of the discussion, the attendees and their roles, the matters discussed (including the application of the financial reporting framework and the susceptibility of the financial report to material misstatement due to fraud and the identified controls addressing those risks), and the significant decisions reached.	**ASA 300** **Paragraph 5** Involvement of Key Engagement Team Members **ASA 315** **Paragraphs 17 and 18** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation
2.	The auditors prepared a dashboard which stated total balances (assets, liabilities, revenue), liquidity ratios, profitability ratios that were automatically generated within CaseWare. Whilst the dashboard is on file, no analysis or commentary was performed on the resulting movements, ratios or relationships. In particular, the auditors did not document: (a) any expectation against which the actual results were compared;	**ASA 315** **Paragraphs 14(b) and A27** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have performed at a minimum, a year-on-year analytical review, comparing profit or loss items and balance sheet items to the 30 June 2022 balances. Any significant movements or movements that were unusual (i.e. revenue moving inconsistently with assets) should have been considered for heightened risks that ought to have been considered in the audit plan.	**ASA 315** **Paragraphs 14(b) and A27** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(b) any analysis of the movements or relationships; (c) any identification of inconsistencies or unexpected relationships; or (d) any linkage between the output and the identification or assessment of risks of material misstatement.			
3.	In the audit document titled 'Understanding the Entity (Internal Controls)', the auditors marked each of the work program items related to paragraph 22 of ASA 315 as "yes". The only supporting commentary recorded is, in relation to p.22(a)(i): "There is a compliance plan in place." No further commentary or supporting documentation is provided in respect of the other sub-elements of p.22 (a)(ii), (a)(iii) or (b). Marking work program items as "yes" without any explanation of FGMF's actual process is not sufficient to demonstrate that the auditors have: (a) understood how FGMF identifies business risks relevant to financial reporting objectives; (b) understood how FGMF assesses the significance of those risks, including the likelihood of their occurrence; (c) understood how FGMF addresses those risks; and (d) evaluated whether the process is appropriate to FGMF's circumstances considering the nature and complexity of the entity. ASA 315 p.38(b) specifically requires the auditors to document the key elements of the understanding obtained, the sources of information from which that understanding was obtained, and the risk assessment procedures performed and none of this documentation exists on the audit file.	<u>**ASA 315**</u> **Paragraph 22** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(b)** Documentation	A reasonable and prudent auditor ought to have: (a) obtained FGMF's documented risk management framework, compliance plan and risk register (or, where such documents do not exist, made enquiries of management as to how risks are identified, assessed and addressed in practice); (b) documented in the audit file the entity's process, the source of the information obtained, and the procedures performed to obtain that understanding; and (c) evaluated whether the process is appropriate to the nature and complexity of a registered managed investment scheme / public interest entity (such as the FGMF) and documented that evaluation.	<u>**ASA 315**</u> **Paragraphs 17 and 18** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation
4.	In their audit document titled 'Understanding the Entity (Internal Controls)', the auditors marked the various work	<u>**ASA 315**</u> **Paragraph 25**	A reasonable and prudent auditor ought to have:	<u>**ASA 315**</u> **Paragraph 25**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	program items related to paragraph 25 of ASA 315 as “yes” without any supporting documentation in the audit file explaining the auditors’ understanding of the entity’s information system and communication relevant to the preparation of the financial report including: (a) how information flows through FGMF's system (initiation, recording, processing, correction, posting to general ledger and reporting in the financial report); (b) the accounting records, specific accounts and other supporting records relating to the flows of information; (c) the financial reporting process used to prepare the financial report, including disclosures; (d) the IT environment relevant to the information system; and (e) how FGMF communicates significant matters relating to financial reporting internally, to those charged with governance, and to external parties such as ASIC. ASA 315 p.38(b) requires documentation of the key elements of the understanding obtained, the sources of that information, and the risk assessment procedures performed. None of this documentation exists on the audit file. The IT Applications work program had not been completed or signed off. There was no documentation of the journal entry process, or the controls surrounding journal entries (including non-standard journal entries used to record non-recurring or unusual transactions or adjustments). The communication processes (internal, with those charged with governance, and with external parties including regulatory authorities) are similarly marked as “yes” without any supporting commentary.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control **Paragraph 38(b)** Documentation	(a) obtained FGMF’s policies and procedures documenting the flows of transactions relevant to the financial report (or, where not documented, performed enquiries with management and observed how transactions are processed); (b) documented the key information systems (Xero, Excel and any others), how data flows between them, and the controls over data integrity, journal entries and financial report preparation; (c) documented FGMF’s internal and external processes relating to financial reporting; and (d) report any deficiencies identified to management and reflected those deficiencies in the audit plan and the design of further audit procedures.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control **Paragraph 38(b)** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
5.	In relation to obtaining an understanding of control activities as required by ASA 315, the audit file shows: (a) the auditors did not complete their control activities component work program; (b) controls addressing the significant risks (valuation of financial assets, unit pricing, revenue recognition, compliance with regulatory requirements) were not identified; (c) controls over journal entries (including non-standard journal entries) have not been identified or evaluated; (d) the IT applications and aspects of the IT environment subject to risks arising from the use of IT have not been identified; (e) there is no evidence that the auditors had evaluated whether controls were designed effectively, or that they had performed procedures additional to determine whether controls have been implemented. ASA 315 p.38(c) requires documentation of the evaluation of the design of identified controls, and the determination of whether such controls have been implemented. This documentation is absent.	<u>**ASA 315**</u> **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(c)** Documentation	A reasonable and prudent auditor ought to have: (a) identified the controls FGMF had in place that address each significant risk identified, including controls over the valuation of financial assets, unit pricing and revenue recognition; (b) identified controls over journal entries (including non-standard journal entries used to record non-recurring or unusual transactions); (c) identified the IT applications relevant to financial reporting and the general IT controls addressing the risks arising from their use; (d) for each control identified, evaluated whether it was designed effectively to address the assertion-level risk, and performed procedures in addition to enquiry (e.g. observation, inspection of documentation, walkthroughs) to determine whether the control has been implemented; and (e) documented the evaluation and determination in accordance with ASA 315 p.38(c).	<u>**ASA 315**</u> **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(c)** Documentation
6.	The auditors' identification and assessment of risks of material misstatement was incomplete. Specifically, the audit file shows: (a) assertion-level risks were not identified for the account balance. Each of the account balance risks identified (in particular Revenue Recognition, Unit Pricing and Member Balances, and Valuation of Investments) should have been mapped to the specific assertion(s) affected. The auditors did not do so for the revenue	<u>**ASA 315**</u> **Paragraphs 28, 29, 31 and 32** Identifying and Assessing the Risks of Material Misstatement **Paragraph 38(d)** Documentation	A reasonable and prudent auditor ought to have: (a) for each material account balance, class of transaction and disclosure identified in the Risk Assessment Report, evaluated whether a risk of material misstatement exists and, if so, identified the specific assertion(s) affected (i.e. existence, valuation, completeness);	<u>**ASA 315**</u> **Paragraphs 28, 29, 31 and 32** Identifying and Assessing the Risks of Material Misstatement **Paragraph 38(d)** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	recognition, unit pricing and member balance risks identified. (b) Net Assets Attributable to Unitholders, Revenue and Expenses were not assessed at the assertion level despite being material account balances. (c) ASA 315 requires documentation of the identified and assessed risks of material misstatement at the financial report and assertion level, including significant risks, and the rationale for the significant judgements made. This documentation was not present.		(b) for the significant risk 'Revenue recognition', documented the specific revenue assertions to which the risk attaches (typically occurrence, accuracy and cut-off) and if a fraud risk was present, which assertion(s) the fraud risk was associated with; (c) for net assets attributable to unitholders and expenses performed and documented an assertion-level risk assessment; and (d) designed audit procedures specifically responsive to each identified assertion level risk.	
B. Audit procedures planned and performed were not adequate and in breach of auditing standards				
B1. Audit procedures planned and performed for income				
7.	ASA 240 requires auditors to: (a) presume that there is a risk of fraud in revenue recognition specifically and assess this fraud risk as a significant risk- if a fraud risk is not applicable, the rebuttal of this presumption is required to be documented; (b) perform procedures to address risk of fraud in revenue risk. There is no documentation in the audit file demonstrating that the auditors identified a specific fraud risk relating to revenue recognition, nor did they record any reasoning rebutting this presumed fraud risk.	<u>**ASA 240**</u> **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud	A reasonable and prudent auditor ought to have identified fraud in revenue recognition as a risk at planning. If a fraud risk was determined to not be applicable, the auditor ought to have documented the rationale for such a determination.	<u>**ASA 240**</u> **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 48** Documentation
8.	The Overall Audit Strategy Work Program included the following specific procedures planned:	<u>**ASA 330**</u> **Paragraphs 6 and 18**	A reasonable and prudent auditor ought to have conducted and documented the planned	<u>**ASA 230**</u> **Paragraph 8**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(a) in relation to revenue recognition: "*we will check if revenue is recognised as per AASB 15*"; (b) in relation to valuation of assets which also addresses revenue: "*We will review the client's valuation policies*"; "*We will assess the classification*"; "*We will take into consideration both qualitative and quantitative information to validate (the revaluation of financial assets)*" There is nothing in the audit file to suggest that the above planned procedures were performed.	Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 28** Audit documentation	audit procedures appropriately. If the planned approach was revised by the auditors, this ought to have been documented.	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 330</u>** **Paragraphs 6 and 12** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 28** Audit documentation
9.	The revenue audit workpaper indicates that the revenue in the trial balance (being the FGMF's accounting software listing of balances) was agreed to the draft financial statements. Agreeing a trial balance to draft financial statements is a reconciliation exercise and not a substantive procedure. It is also not sufficient audit evidence on its own to reach a conclusion that the revenue balances in a financial statement are materially correct. No substantive testing of the revenue balances was in the audit file.	**<u>ASA 330</u>** **Paragraph A5** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	Net gains on financial instruments (such as financial statements) are a 'net' balance and therefore could consist of gains and losses being offset. A reasonable and prudent auditor ought to have examined the breakdown of the 'net' balances, and linked unrealised gains/(losses) to the movements in the financial assets on the balance sheet. They also ought to have obtained an understanding of which financial assets the realised gains/(losses) were from.	**<u>ASA 330</u>** **Paragraphs 6 and 18** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Sufficient Appropriate Audit Evidence
10.	The revenue audit workpaper indicates that the accounting policy applied by the FGMF in respect of each revenue type was documented. However, there was no documentation in the audit file as to whether the accounting policies stated were actually appropriate under the AASB standards.	**<u>ASA 315</u>** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have performed an assessment of whether the FGMF's accounting policies were in accordance with accounting standards.	**<u>ASA 200</u>** **Paragraphs 15 and A21** Professional scepticism **<u>ASA 315</u>** **Paragraph A27** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **<u>ASA 500</u>** **Paragraph A25** Sufficient Appropriate Audit Evidence
11.	The revenue audit workpaper records the following conclusion: "*Based on our review of the revenue recognition policy and supporting documentation, the fund has recognized revenue appropriately in compliance with AASB 15*." AASB 15 Contracts with Customers is the incorrect accounting standard. Distribution income from financial assets and gains on financial instruments are accounted for in accordance with AASB 9 Financial Instruments.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have performed an assessment of whether management's accounting policies were in accordance with accounting standards and actually being applied in practice.	**<u>ASA 230</u>** **Paragraph 8b** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 20**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control
12.	In the auditors' revenue workpaper, the balance in the financial statements is labelled "*Distribution and other income*" which is being agreed to the balance "*interest income*" in the management accounting records. Whilst the balances were the same amount, the name of the balances was different. This is importance because distribution income is different to interest income as they are derived from different types of investments assets. Specifically, interest income is derived from cash balances or third-party loans, whereas distribution income is derived from shares or units held in another entity/ fund. The auditors did not document in the audit file: (a) Whether the account was genuinely distribution income (i.e. whether the interest income label was a mislabel within the accounting system); (b) Whether the account was interest income, and if so, any understanding of the source of any such interest income. This is particularly relevant in circumstances where the FGMF's assets were all investments in unlisted managed investment schemes, which did not generate interest income (and rather typically generated distribution income or fair value gains/losses).	**<u>ASA 200</u>** **Paragraph 15** Professional scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>**	Under Australian Accounting Standards (AASB 9 Financial Instruments), interest income is usually derived from assets such as cash or loans receivable. Financial assets that are investments in unlisted managed investments scheme, such as the assets of the FGMF, did not generate interest income. Given that FGMF had minimal cash balances and no loans receivable, a reasonable, prudent auditor ought to have investigated the source of any interest income.	**<u>ASA 200</u>** **Paragraph 15, A21** Professional scepticism **<u>ASA 315</u>** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 6 Sufficient Appropriate Audit Evidence		
13.	At 30 June 2023, the FGMF had recorded in its audited financial statements: • $400 million of assets; and • total income of $5,493,738. The income from investments was low compared to the value of assets. The audit documentation did not demonstrate an understanding of which assets derived the income and whether the returns were appropriate based on the assets.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 315** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph A27** Definitions	A reasonable and prudent auditor ought to have obtained an understanding as to why returns were low in comparison with the income of the FGMF for FY23, and ought to have assessed the explanation provided (if any).	**ASA 200** **Paragraphs 15 and A21** Professional scepticism **ASA 315** **Paragraph A27** Definitions **ASA 500** **Paragraph A25** Audit Procedures for Obtaining Audit Evidence
B2. Audit procedures planned and performed for expenses				
14.	There is no evidence in the audit file to suggest that the auditors considered whether expenses were complete for the financial year. A fund of the nature and size of the FGMF typically would incur responsible entity fees and investment management fees (among others). Whilst the immaterial balance may be appropriate, the audit file shows the auditors did not consider and did not sufficiently demonstrate why audit fees were the only relevant expense.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	A reasonable and prudent auditor should have designed and performed testing to address the risk of completeness which would usually include: (a) consideration of typical expenses for an investment fund and why no such expenses (such as distribution expenses i.e. returns paid to unitholders, responsible entity fees, investment manager fees, tax advisor fees) exist; and	**ASA 200** **Paragraph 15** Professional scepticism **ASA 315** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>ASA 315</u> **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	(b) unrecorded liability testing (selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2023.)	Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting **<u>ASA 330</u>** **Paragraphs A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 450</u>** **Paragraphs 6 and A7** Consideration of Identified Misstatements as the Audit Progresses **<u>ASA 500</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Paragraph 6 Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
B3. Audit procedures planned and performed for distributions to unitholders				
15.	The FGMF had $400 million of assets as at 30 June 2023. However, the amount recorded by way of distributions to unitholders was $1,089,072. The distribution to unitholders seems, prima facie, low in comparison to the value of assets. Whilst the balance is not material, there remains a risk that distributions to unitholders may not have been complete, and the amounts recognised may not have represented the total payments actually made.	<u>**ASA 200**</u> **Paragraphs 15** Professional Scepticism <u>**ASA 315**</u> **Paragraph 14** Risk Assessment Procedures and Related Activities **Paragraphs 25 and 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph A27** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have: (a) performed analytical procedures over distributions to identify any unusual movements/balances in distributions paid, obtained an understanding and performed inquiries regarding any unusual movements/balances; (b) obtained an understanding of the distribution mechanism (i.e. how distributable income is determined, and frequency of payment to unitholders); (c) recalculated the distributions for the period and reconciled them to the balance recorded; (d) agreed distribution amounts to investor registry reports or unit holdings at the reporting date and ensured distribution allocation was based on the correct unit balances; (e) for a sample of distributions made, agreed the amount was actually paid to the bank statement, and ensured the payment was made to a valid investor and was recorded in the correct period; and	<u>**ASA 200**</u> **Paragraphs 15 and A21** Professional Scepticism <u>**ASA 315**</u> **Paragraph 14** Risk Assessment Procedures and Related Activities **Paragraphs 19, 25 and 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>**ASA 330**</u> **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 8** Information to be Used as Audit Evidence **Paragraph A25** Sufficient Appropriate Audit Evidence	(f) unrecorded liability ought to have been undertaken to determine whether a distribution payable ought to be recognised at the balance date.	<u>**ASA 330**</u> **Paragraphs 6 and 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <u>**ASA 500**</u> **Paragraphs 6 and A25** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence <u>**ASA 530**</u> **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing
B4. Audit procedures planned and performed for financial assets				
16.	The FGMF held investments in 6 underlying funds. The audit file shows that, of these 6 investments, only the first four (highlighted in **bold**) were selected for testing by the auditors:	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures	A reasonable and prudent auditor ought to have ensured that: (a) All investments individually greater than performance materiality ($1.5	<u>**ASA 500**</u> **Paragraph 10** Selecting Items for Testing to Obtain Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• **$74,699,468 investment in the FG Pan Asia Fund;** • **$90,501,554 investment in the FG Private Equity Fund;** • **$90,603,151 investment in the FG Global Income Fund;** • **$141,561,506 investment in the FG Australian Development Fund;** • the $2,395,746 investment in the FG Absolute Equities Fund; and • the $854,194 investment in the Trulet Opportunities Fund. The audit file shows the other two investments, totalling in value of $3.2 million, were not selected for testing. This amount is material to the financial statements based on the materiality thresholds determined by the auditors. Therefore, the number of investments selected for testing was insufficient. Further, no explanation was given in the audit file as to why the four investments listed above were the only ones selected.	Performed and Audit Evidence Obtained __**ASA 330**__ **Paragraphs 7 and 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level __**ASA 530**__ **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	million) should have been selected for testing; (b) additional investments should have been selected for testing to ensure that the total amount of untested investments was below performance materiality; and (c) qualitative factors that may warrant items to be selected were considered, i.e. related party investments, and risk factors identified in other documentation such as Board Minutes. At a minimum, the $2,395,746 investment in the FG Absolute Equities Fund ought to have been selected for testing based on the materiality level set for the audit.	__**ASA 530**__ **Paragraphs 6, 7 and 8** Sample Design, Size and Selection of Items for Testing
B4.1 Audit procedures planned and performed for the FG Australian Development Fund (FG ADF)				
17.	The audit file shows the Net Assets of the FG ADF were assumed to represent fair value. The Net Assets of an unaudited, illiquid fund (such as the FG ADF) did not automatically represent Fair Value and needed to be assessed.	__**ASA 540**__ **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities __**ASA 230**__ **Paragraph 8** Documentation of the Audit Procedures	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG ADF, for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	__**ASA 540**__ **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Performed and Audit Evidence Obtained		
18.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG ADF complied with the FGMF valuation policy, and whether the policy was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 540** **Paragraph 18** Subjectivity	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value. Subsequently, they ought to have performed specific procedures to validate the valuation and the methodology applied to the FG ADF.	**ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Subjectivity
19.	A material variance of $16.8 million was noted as being related to a revaluation at the FGMF level, but the audit file shows it was not tested or investigated. The variance was also not raised in any audit documents as an error or a misstatement.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 450** **Paragraph 5**	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of its fair value, a reasonable and prudent auditor ought to have investigated the $16.8 million variance further to determine the cause of the variance, why the FGMF recorded a higher value and what evidence the FGMF could provide to support how this higher value was appropriate.	**ASA 500** **Paragraphs 6 and 9** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Accumulation of Identified Misstatements **<u>ASA 500</u>** **Paragraphs 6 and 9** Sufficient Appropriate Audit Evidence	This additional information would then be verified and assessed against AASB 13 Fair Value.	
20.	The audit file shows the auditors did not independently validate whether the FGMF in fact held 100% of the units in the FG ADF.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG ADF to ascertain whether the FGMF does hold 100% of units. A sample of unitholding movements (if applicable) ought to have been tested.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
21.	The audit file shows: (a) Only three of the FG ADF's assets were selected for testing, being: • $79,395,602 investment in the Chiodo Property Development Fund; • $27,654,627 investment in '175 Burnley St Project'; and • $44,126,354 loan to 'Global Income Fund'. (b) Three other assets, totalling in value of $20.2 million, were not tested. (c) One of the FG ADF's liabilities, being a loan from the FG Pan Asia Fund valued at $46,574,779, was tested. (d) 'Other liabilities' of $214,720 were not tested. Assuming that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of the fund, the audit file shows the following: (a) The FG ADF is an unaudited fund. Therefore, the auditors would need to have validated a sufficient	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of FG ADF, a reasonable and prudent auditor would: (a) In the absence of an audited set of financial statements, undertake audit procedures on the balance sheet and on the profit or loss of the Fund to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, select two additional investments (being the investment in Rajomon Asset Management Account - Type, and the investment in the 'BDF') given they were both individually above the materiality threshold; (c) for each asset and liability selected, obtain an understanding of the valuation	**<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document their rationale for why the three assets and one liability were selected for testing. $20.2 million of assets were not tested, which is material to the net assets. (b) The FG ADF's statement of profit or loss was not included in the audit workpaper. To appropriately test the net asset value of the FG ADF, consideration as to the Fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Australian Development Class (accessible via the FY23 Caseware audit file) notes that all management and performance fees were paid from the underlying fund (being the FG ADF). However, the balance sheet alone does not clearly indicate whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability.	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence <u>**ASA 530**</u> **Paragraphs 6, 7 and 8** Sample Design, Size and Selection of Items for Testing	method and assess whether they were being measured at a value that reflected fair value (if they were not, then the FG ADF's net asset value would unlikely be an appropriate fair value); (d) review the profit or loss statements of FG ADF and assess whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees are being paid and/or accrued, whether this was consistent with the Product Disclosure Statement and were there any fees missing that should be considered?)	Information to Be Used as Audit Evidence <u>**ASA 530**</u> **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing <u>**ASA 540**</u> **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
22.	In relation to the FG ADF's investment of $79,395,602 in the Chiodo Diversified Property Fund (**CDPF**), the audit file shows: (a) no documentation was obtained or prepared demonstrating an understanding of what the investment was and, what assets the CDPF held; (b) no validation was undertaken of the number of units the FG ADF held in the CDPF (and subsequently, no verification was undertaken as to what portion of the CDPF valuation related to the FG ADF's ownership); (c) no evidence was in the audit file recording any details of due diligence documents being actually reviewed;	<u>**ASA 200**</u> **Paragraph 15** Professional Scepticism <u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	A reasonable and prudent auditor would have: (a) verified the ownership percentage in CDPF through an independent confirmation sent to the Trustee of the CDPF; (b) obtained an understanding of the nature of CDPF, including the type of fund it is and what assets it holds; (c) requested the FGMF provide an independent valuation of CDPF as at 30 June 2023;	<u>**ASA 200**</u> **Paragraph 15** Professional Scepticism <u>**ASA 315**</u> **Paragraph 12** Definitions <u>**ASA 500**</u> **Paragraph 8**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(d) no evidence was in the audit file as to an external valuation being obtained; (e) no documentation was in the audit file recording the date of the valuation, who performed the valuation, whether the valuer was appropriate and could be relied on, or the basis of the valuation; (f) the audit file contains no consideration given to the issues mentioned in the Board minutes regarding the CDPF (of the Fund being in a 'dire' position) was recorded; and (g) there is no evidence in the audit file as to any independent valuation procedures being performed.	<u>**ASA 315**</u> **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 8 and 9** Information to Be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities	(d) assessed the appropriateness of any valuation expert used by the FGMF (e.g. for competence, objectivity); (e) reviewed any valuation obtained and assessed whether the valuation methodology, date of valuation and any key assumptions were appropriate and if any further procedures are warranted such as engaging an audit expert, or performing procedures on any data or assumptions provided to the valuer that could have been manipulated by the FGMF; and (f) Investigated with the FGMF what the impact of the 'dire financial position' noted in the FY22 Board Minutes was and understand how that has been reflected in the valuation for FY23, or if any impact was considered on the FY23 valuation in any other way.	Information to be Used as Audit Evidence <u>**ASA 505**</u> **Paragraph 7** External Confirmation Procedures <u>**ASA 540**</u> **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
23.	In relation to the FG ADF's investment of $27,654,627 in '*175 Burnley St Project*', the audit file shows: (a) the financial statements utilised as supporting evidence were unaudited and therefore not a reliable source of information;	<u>**ASA 315**</u> **Paragraphs 19 and 20** Obtaining an Understanding of the Entity and Its	A reasonable and prudent auditor ought to have: (a) performed a company search at 30 June 2023 to reconfirm if FG ADF remains the	<u>**ASA 200**</u> **Paragraph 15** Professional Scepticism

ANNEXURE C
FY23 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(b) there were inconsistencies within the audit workpaper relating to whether the FG ADF gave 175 Burnley Street a loan of $27 million, or whether the entire amount was an equity investment - there is no evidence in the audit file of this being investigated further; (c) the audit workpaper also notes that the FY22 statements for 175 Burnley St record a "*shareholder account - liability*" line item equivalent to the investment amount, implying that the investment was a loan. Further, the unaudited financial statements also refer to "*Shareholder Accounts*", which was classified as a liability. This is inconsistent with the FG ADF recording the amount as an equity investment, and the audit file shows this inconsistency was not investigated further by the auditors; (d) no verification was undertaken as to whether the FG ADF still owned 100% of the equity in 175 Burnley Street at 30 June 2023 - if the FG ADF did not remain the 100% owner as at that date, then the portion of the valuation of this entity that the FG ADF should have recognised on its balance sheet ought to have been reduced; (e) there is no evidence in the audit file as to whether any work was performed regarding the revaluation of $11.6 million undertaken during the year; (f) review of the unaudited financial statements of the entity shows the following items that should have been considered by the auditors: • the entity is loss making ($5 million loss for June 2023); • the entity is net asset deficient ($7.8 million); and • there is no information about whether the assets can be validated or supported by an external valuation;	Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7 and 8** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **<u>ASA 550</u>** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 18**	100% shareholder of the investment entity; (b) on the basis of the company search, been able to identify the investment entity as being a related party of FGMF, due to David Anderson being a Director; (c) obtained an understanding of whether the FG ADF was providing equity funding only, a loan or a combination of the two; (d) obtained an understanding of the nature of the investment entity and what it was investing in; (e) assuming the investment was 100% equity, requested that the FGMF provide an independent valuation of the entity to support the valuation recorded in the FG ADF's financial statements; (f) performed required procedures on any independent valuation report (review of valuation expert, valuation methodology, timing, assumptions etc); (g) challenged the FGMF on how the valuation of $27 million incorporated that the entity was loss making and had negative net assets (i.e. did not have sufficient assets); and (h) obtained evidence of the asset that has actually been acquired by 175 Burnley Pty Ltd.	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 8** Information to be Used as Audit Evidence **Paragraph 10** Selecting Items for Testing to Obtain Audit Evidence **Paragraph 11**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(g) no analysis was undertaken as to obtaining an understanding of what the investment in fact was, and how it would derive a return for the FG ADF; (h) no further consideration was in the audit file as to Mr David Anderson being the officer of the company in one version of the investment's financial statements and income tax return. Mr Anderson was also a director of the FG ADF; (i) no evidence is contained in the audit file as to whether any work was undertaken in respect of testing the conclusions of the external valuation report of the investment (i.e. no testing of the valuation method and no assessment of the FGMF's valuation expert was undertaken); (j) no evidence is contained in the audit file as to whether any work was undertaken regarding testing/validation of the approximate costs used in the calculation of reliable profit on exit; and (k) an external valuation was undertaken by '*M3 Property*', which used an incorrect valuation method - this was not acknowledged or corrected by the auditors in the audit file.	Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
24.	In relation to the FG ADF's loan to the Global Income Fund (**GIF**) of $44,126,354, no documentation is included in the audit workpaper demonstrating any consideration of the following: (a) the purpose of FG ADF lending money to the GIF (this appears unusual, and lending money is not an allowed investment by FG ADF based on the Product Disclosure Statement, which was accessible on the FY23 Caseware audit file); (b) whether $44.1 million represented a fair value of the loan; (c) any interest rate being received on the loan, and whether it was an arm's length interest rate; (d) whether a loan agreement was in place;	**<u>ASA 250</u>** **Paragraphs 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial	A reasonable and prudent auditor ought to have: (a) obtained a copy of a loan agreement between the FG ADF and GIF; (b) obtained an understanding of why this loan was provided given it is a related party transaction; (c) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (d) assessed whether the interest rate was a market rate of interest and therefore whether the loan balance met the	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(e) whether the loan balance was inclusive of interest being accrued; and (f) whether the loan was recoverable.	Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities <u>**ASA 550**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party	requirements of fair value under accounting standards; and (e) requested the FGMF provide a recoverability assessment of the loan and then perform procedures to verify and assess whether the recoverability assessment was reasonable and supportable.	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities <u>**ASA 550**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Relationships and Transactions		Relationships and Transactions
25.	In relation to the FG ADF's loan from the First Guardian Pan Asia Fund (FG PAF) of $46,574,779, no documentation is included in the audit workpaper demonstrating any consideration of the following: (a) the purpose of the FG ADF borrowing funds from the FG PAF, which was also an underlying fund of the FGMF; (b) whether it was unusual for there to be inter-fund borrowings occurring; (c) whether $46.6 million represented fair value; (d) any interest rate being paid on the loan, and whether it was an arm's length interest rate; (e) whether a loan agreement was in place; (f) whether the loan balance was inclusive of interest being accrued; and (g) whether the loan was recoverable. See also row 45 for consideration of this transaction from the perspective of the review of the assets and liabilities of the FG PAF. FG PAF recorded this transaction as a loan receivable of $46,410,402, which had a variance of $164,377 to the amount recorded by FG ADF. These figures should be the same and the audit file shows the auditors failed to identify this discrepancy.	**ASA 250** **Paragraphs 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard	A reasonable and prudent auditor ought to have: (a) obtained a copy of a loan agreement between the FG ADF and FG PAF; (b) obtained an understanding of why this loan was provided given it is a related party transaction; (c) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (d) assessed whether the interest rate was a market rate of interest and therefore whether the loan balance met the requirements of fair value under accounting standards; (e) agreed the loan movements between FY22 and FY23; and (f) investigated the variance between the loan payable recorded in FG ADF and the loan receivable in FG PAF and ensure the evidence being utilised was at the correct balance date.	**ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraphs 13 and 18 Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		Information to be Used as Audit Evidence **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B4.2 Audit procedures planned and performed for the FG Global Income Fund (FG GIF)				
26.	The audit file shows the net assets of the FG GIF were assumed to represent fair value. The net assets of an unaudited, illiquid fund (like the FG GIF) do not automatically represent fair value, and needed to be assessed independently.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG GIF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 18** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
27.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG GIF complied with the FGMF valuation policy, and whether the policy was appropriate.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 315**</u> **Paragraph 12** Definitions <u>**ASA 540**</u> **Paragraph 18** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value and subsequently performed specific procedures to validate the valuation and the methodology applied to the FG GIF.	<u>**ASA 540**</u> **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
28.	There audit file shows there was a material variance of $7 million in the value of net assets, noted as being related to a revaluation at the FGMF level, which the audit file shows was not tested or investigated. The variance was also not raised in any audit documents as an error or a misstatement.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 450**</u> **Paragraph 5** Accumulation of Identified Misstatements <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9**	On the assumption that the net assets of the FG GIF were determined to be an appropriate approximation of its fair value, a reasonable and prudent auditor ought to have investigated the $7.8 million further to determine the cause of the variance, why the FGMF recorded a higher value and what evidence the FGMF could provide to support how this higher value was appropriate. This additional information would then be verified and assessed against AASB 13 Fair Value.	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Information to be Used as Audit Evidence		
29.	The audit file shows the auditors did not independently validate whether the FGMF in fact held 94.48% of the units in the FG GIF. This was a dilution of ownership by 3% compared to FY22, which was also not considered in the audit file.	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG to ascertain whether the FGMF does hold 94.48% of units. A sample of unitholding movements (if applicable) ought to have been tested. The dilution of ownership by 3% compared to FY22 also ought to have been tested (e.g. the auditor ought to inquire whether additional shares were issued, or whether capital injections had occurred).	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence
30.	The audit file shows: (a) Only five of the FG GIF's assets were selected for testing, being: • $34,708,000 loan to 'Palmer Avenue Capital'; • $17,953,026 loan to 'Kanun Capital'; • $13,275,492 loan to Siwa Group Limited; • $12,747,430 loan to 'Fox Friday Group'; and • $10,847,786 loan to 'Rogue Trader Group'. (b) 15 other assets, totalling in value of $57.5 million, were not tested. The audit workpaper records that a revaluation of the assets at the FGMF level had occurred, resulting in a difference of $7.8 million between the FGMF's asset value and the initial audit workpaper values. Using the re-evaluated net asset value, the total value of untested assets was $48 million. (c) One of the FG GIF's liabilities, being a loan from the FG ADF, valued at $44,426,354, was tested (note, however, that this was tested in an FG ADF	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 315**</u> **Paragraph 12** Definitions <u>**A 330**</u> **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <u>**ASA 500**</u> **Paragraph 6**	On the assumption that the net assets of the FG GIF were determined to be an appropriate approximation of the fair value of FG GIF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG GIF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected seven additional assets, five of which would be selected due to their individual value being above the materiality threshold and two of which would have been selected to bring the total untested balance below the performance materiality threshold; (c) for each asset selected, obtained and understood the loan agreements, validated the amount lent to the counterparty, and ensured that the loans	<u>**ASA 315**</u> **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 330**</u> **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	workpaper). 'Other liabilities' of $18,434, and GST payable of $3963, were not tested. Assuming that the net assets of the FG GIF were determined to be an appropriate approximation of the fair value of the Fund, the audit file shows: (a) The FG GIF was an unaudited fund. Therefore, the auditors would need to have validated a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale as to why the five assets and one liability were selected for testing. $48 million of assets were not tested, which was material to the net assets. (b) The FG GIF's statement of profit or loss was not included in the workpaper. To appropriately test the net asset value of the FG GIF, the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Global Income Class (which was accessible on the FY23 Caseware audit file) noted that all management and performance fees were paid from the underlying fund (being the FG GIF). The balance sheet alone does not indicate whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability.	Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6,7 and 8** Sample Design, Size and Selection of Items for Testing	were accruing interest based on the agreements; (d) requested that the FGMF provide a recoverability assessment for each loan, and provide justification as to how they have satisfied themselves that the loans will be repaid; (e) validated the recovery assessment through the following: • review of due diligence/credit assessments performed for new loans; • identification of the security being obtained (i.e. if the loan is being used for a purchase of property, property details etc.); • obtaining evidence that Falcon Capital as trustee for the FG GIF lodged an interest in the security being taken (i.e. a lodged mortgage document for property); • obtaining a copy of the external valuations on the underlying security - where the valuation of the security is likely to have changed from the previous valuation date (i.e. for a property development), obtaining updated valuations or other third-party information to support; recoverability; (f) assessed whether, based on the recoverability assessment and the interest rate being charged, the loans reflected fair value under accounting standards (i.e. if they are not, then the FG	the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6, 7, and 8** Sample Design, Size and Selection of Items for Testing **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
			GIF net asset value would unlikely be an appropriate fair value); (g) reviewed the profit or loss statements of the FG GIF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees are being paid and/or accrued, is this consistent with the Product Disclosure Statement and are there any fees missing that should be considered?)	
31.	In relation to the FG GIF's loan of $17,953,026 to Kanun Capital Unit Trust (**Kanun Capital**), the audit file shows: (a) there was no reference to the loan agreement between Kanun Capital and the FG GIF; (b) no documentation recording information about the terms of the loan exists; (c) the financials utilised as supporting evidence were unaudited and therefore not a reliable source of information. They were also the financial statements for the year ended 30 June 2021, whereas the audit was being conducted for 30 June 2023; (c) the loan facility agreement referenced and included on the audit file was signed by Mr Paul Chiodo as the Director of the borrowing entities. There was no documented consideration in the audit file as to whether he was related to the Chiodo Diversified Property Fund (**CDPF**), an entity in which the FG ADF invested in the same financial year. This is of particular importance given the reference to "*Chiodo*" and "*CPF*" noted in the minutes of the Board meeting of Falcon Capital Limited dated 4 August 2021 and 1 February 2022 including a statement that "*Chiodo initiated a Statuary Demand*" and "*CPF was restructured due to its dire financial position*";	**<u>ASA 315</u>** **Paragraphs 19(a) and 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6**	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Kanun Capital, and documented key terms including amount of the loan, interest rate, term, repayment schedule, and security/collateral; (b) verified that FG GIF obtained appropriate security when providing the loan; (c) recalculated the interest receivable based on the loan agreement and ensured that that amount was included with the loan balance or had been repaid; (d) validated repayments received to bank statements; (e) validated loan funding to the loan agreement and loan settlement statements (i.e. from a solicitor if used), or requested a loan confirmation directly from Kanun Capital; (f) obtained independent valuation on security obtained and assessed whether that valuation could be relied upon;	**<u>ASA 315</u>** **Paragraphs 19(a) and 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(d) the loan reconciliation did not document if any verification of the additions or repayments occurred and whether missing interest was accrued; (e) there is no evidence in the audit file that any security position had been verified; (f) two facility agreements regarding Kanun Capital were noted as referencing collateral over property, but there is no documentation in the audit file confirming whether this had been verified; (g) the 30 June 2021 unaudited financial statements refer to four mortgage loans for four different properties - however, the audit workpaper only included reference to two such facility agreements; (h) the 30 June 2021 financial statements showed no profit or loss transactions - however, the balance sheet included items such as accrued interest receivable and accrued interest payable. Both of these items should have had corresponding interest income and interest expense transactions. This casts doubt over the integrity of the unaudited financial statements; and (i) the work performed, as shown in the audit file, does not substantiate that the loan to Kanun Capital was recoverable or that there was an understanding of the loan agreement in place.	Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25**	(g) if the security provided was over the loans receivable in the Kanun Capital, validate that Kanan Capital Unit Trust held appropriately registered security over the properties they had lent money for, including running title searches and obtaining the valuations on those secured properties; and (h) performed a reconciliation to the prior year balance and tested movements year on year.	Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
32.	In relation to the FG GIF's loan of $34,708,000 to Palmer Avenue Capital, the audit file shows: (a) no documentation recording the details of the purpose of the loan, or the details of the assets of the borrower; (b) no verification was undertaken regarding interest of 7% p.a. being paid monthly to the FG GIF - if such interest was not paid, it ought to have been added to the loan balance; (c) no validation was undertaken as to the documentation of the additions to the loan during the year (the amount was simply stated), meaning that the audit file contained no evidence as to the accuracy, existence or completeness of the loan balance at 30 June 2023; and (d) there was no documented work in the audit file as to whether any security arrangements existed for the loan, or how the auditors satisfied themselves that an such security, if it existed, provided adequate coverage of the loan.	<u>**ASA 315**</u> **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Subjectivity	A reasonable and prudent auditor ought to have: (a) verified that the FG GIF obtained appropriate security when providing the loan; (b) obtained due diligence details of what Palmer Avenue Capital does and the purpose of the loan obtained; (c) recalculated the interest receivable based on the loan agreement provided, and ensured that amount had been included in the loan balance, or in the alternative, had been repaid; (d) validated repayments received to bank statements; (e) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with Palmer Avenue Capital; (f) obtained an independent valuation on any security obtained, and assessed whether the valuation can be relied upon; and (g) obtained the FGMF's recoverability assessment of the loan and requested financial information of Palmer Avenue Capital.	<u>**ASA 315**</u> **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 505**</u> **Paragraphs 10 and 11**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Results of the External Confirmation Procedures **ASA 540** **Paragraphs 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
33.	In relation to the FG GIF's loan of $13,275,492 to Siwa Group Limited, the audit file shows: (a) no details were obtained regarding the purpose of the loan or the assets of the borrower; (b) while the financial statements recorded a loan to 'Siwa Group Limited', the borrowing entity was PT Lombok Bau Nyale - no documentation was identified that recorded an explanation between the two entities; (c) no verification was undertaken regarding whether interest of 12% p.a. was being paid monthly to FG GIF - if it was not, that amount ought to have been added to the loan balance; (d) no validation was undertaken as to the additions to the loan during the year, and any repayments made (the amounts were simply stated), meaning that the audit file contained no evidence as to the accuracy, completeness or existence of the loan balance as at 30 June 2023;	**ASA 315** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**	A reasonable and prudent auditor ought to have: (a) made inquiries as to why PT Lombok Bau Nyale was the borrower when the loan was listed in the financial statements of the FG GIF as being to Siwa Group Limited, and any underlying relationship between the two entities; (b) obtained a copy of the loan agreement between FG GIF and PT Lombok Bau Nyale, and documented key terms including amount of the loan, interest rate, term, repayment schedule, security/collateral; (c) verified that FG GIF actually obtained appropriate security when providing the loan;	**ASA 315** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(e) a term sheet documenting the terms of the loan as at 30 June 2020 noted that $7,881,000 had already been advanced from the borrower to the FG GIF, constituting the starting balance of the facility - but there is no evidence in the audit file to show that this was considered or recorded as part of the audit; (f) the person signing the agreement on behalf of the borrow was Mr Conrad Leigh Warren, who was also listed in the First Guardian Pan Asia Class PDS (which was accessible on the FY23 Caseware audit file) as the FGMF's Head of Asian Private Equity. There was no evidence of consideration of this agreement as a related party transaction, nor is there evidence of any required additional considerations being undertaken as a result.	Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party	(d) obtained due diligence details of PT Lombok Bau Nyale's business, and the purpose of the loan; (e) enquired as to why the borrower is an employee of Falcon Capital and how FGMF had made themselves comfortable that the arrangement was appropriate; (f) investigated whether the loan was being given on an arm's length basis; (g) recalculated the interest receivable based on the loan agreement and ensured that the interest was included in the amount of the loan balance, or in the alternative, had been repaid; (h) validated repayments received to bank statements; (i) validated loan funding to the agreement, loan settlement (j) statements (i.e. from a solicitor if used), or a loan confirmation directly with PT Lombok Bau Nyale (note that this confirmation would need to be signed by someone unrelated to Falcon Capital to be relied upon); (k) obtained independent valuation on security obtained and assess whether the valuation could be relied upon; (l) obtained the FGMF's recoverability assessment and requested financial information of PT Lombok Bau Nyale; (m) investigated the details of the starting balance, for example, had the starting balance previously been drawn down	**Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 510</u>** **Paragraphs 6-7** Audit Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Relationships and Transactions		**<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
34.	In relation to the FG GIF's loan of $12,747,430 to Fox Friday Group, the audit file shows: (a) there is no reference to any loan agreement between FG GIF and Fox Friday Brewing Pty Ltd (**Fox Friday Brewing**) or any documentation about the terms of the loan being tested; (b) the financial statements utilised as supporting evidence were unaudited and therefore were not a reliable source of information; (c) the loan reconciliation did not document if any verification of the additions ($6.3m) or repayments	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Fox Friday Brewing, and documented key terms including loan amount, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan;	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	occurred, and did not provide how the interest accrued is calculated or whether this correct; (d) there is no evidence in the audit file that any security position in respect of the loan has been verified; (e) the 30 June 2023 unaudited financial statements of Fox Friday Brewing made reference to an unsecured loan for $13,097,430, which was $340,000 higher than the amount noted by the FG GIF in its financial statements - in this respect, the auditors noted: *"The money advanced on 30 June 2023 - $350,000 is considered in GIF books in July 2023"* and did not otherwise investigate or consider this discrepancy; (f) the 30 June 2023 unaudited financial statements of the investment entity showed that Fox Friday Brewing was in a net liability position of $318,000 and made a loss of $958,000 which ought to have raised doubts as to the recoverability of the loan - however, there is no evidence of this being investigated or considered; (g) the work performed, as shown in the audit file, does not substantiate that the loan to Fox Friday Brewing was recoverable or that there was an understanding by the auditors of the loan agreement in place; and (h) the auditors did not identify and investigate that the loan balance exceeded the limit per the facility agreement of $10m.	**Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraphs 6 and 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence	(c) recalculated the interest receivable based on the loan agreement and ensured this is included with the loan balance or had been repaid; (d) validated repayments received to bank statements, loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with Fox Friday Brewing; (e) obtained independent valuation on any security obtained, and assessed whether that valuation could be relied upon; (f) performed a reconciliation to the loan amount in FY22 and tested any movements; (g) obtained the FGMF's recoverability assessment of the loan, and validated the key assumptions used in the same; and (h) requested from FGMF financial information of Fox Friday Brewing.	Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
35.	In relation to the FG GIF's loan of $10,847,786 to Rogue Traders Group, the audit file shows: (a) no details were obtained regarding the purpose of the loan or the assets of the borrower; (b) no verification was undertaken regarding whether interest of 6% p.a. was being paid biannually to FG GIF - if it hadn't, that amount ought to have been added to the loan balance; (c) no validation was undertaken as to the additions to the loan during the year, and any repayments made (the amounts were simply stated), meaning that evidence was not provided as to the accuracy, completeness or existence of the loan balance as at 30 June 2023; (d) the loan agreement noted an initial drawdown date of 19 November 2020 - however, the agreement is dated September 2021. There is no evidence in the audit file to suggest this was investigated further by the auditors; (e) there is no evidence in the audit file to suggest that any work was down to consider the recoverability of the loan, especially in circumstances where the maturity date was 30 June 2023; (f) two directors of Rogue Traders Group Pty Ltd signed the loan agreement, one of whom was David Anderson, who also signed the agreement on behalf of FG GIF. There is no evidence in the audit file showing consideration of this agreement as a related party transaction, nor is there evidence of any required additional considerations being undertaken as a result.	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11**	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between FG GIF and Rogue Traders Group Pty Ltd, and documented key terms including amount of the loan, interest rate, term, repayment schedule, security/collateral; (b) verified that FG GIF actually obtained appropriate security when providing the loan; (c) obtained due diligence details of Rogue Traders Group Pty Ltd's business, and the purpose of the loan; (d) enquired as to how FGMF had made themselves comfortable that the arrangement was appropriate given the entity shares common directorship with FGMG; (e) investigated whether the loan was being given on an arm's length basis; (f) recalculated the interest receivable based on the loan agreement and ensured that the interest was included in the amount of the loan balance, or in the alternative, had been repaid; (g) validated repayments received to bank statements; (h) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with Rogue Traders Group Pty Ltd (note that this confirmation would need to be signed by someone unrelated to Falcon Capital to be relied upon);	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions	(i) obtained independent valuation on security obtained and assess whether the valuation could be relied upon; (j) obtained the FGMF's recoverability assessment and requested financial information of Rogue Traders Group; and (k) completed a recoverability assessment on the loan, given it would have been past its maturity date as at 30 June 2023.	Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B4.3 Audit procedures planned and performed in relation to the First Guardian Pan Asia Fund (FG PAF)				
36.	The audit file shows the net assets of the FG PAF were assumed to represent fair value. The net assets of an	**<u>ASA 230</u>** **Paragraph 8**	A reasonable and prudent auditor ought to have understood how the FGMF had	**<u>ASA 540</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	unaudited, illiquid fund (like the FG PAF) do not automatically represent fair value, and need to be assessed independently.	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities	determined the valuation of the FG PAF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**Paragraphs 8 and 10** Risk Assessment Procedures and Related Activities
37.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG PAF complied with the FGMF valuation policy, and whether the policy was appropriate.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 540</u>** **Paragraph 18**	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value, and subsequently performed specific procedures to validate the valuation and the methodology applied to the FG PAF.	**<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities		
38.	The audit file shows the auditors did not independently validate whether the FGMF in fact held 100% of the units in the FG PAF.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG PAF to ascertain whether the FGMF did in fact hold 100% of units. A sample of unitholding movements (if applicable) ought to have been tested.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
39.	The audit file shows: (a) Only two of the FG PAF's assets were selected for testing, being: • $11,857,310 asset titled 'Interactive Brokers Transfer'; and • $46,410,402 loan to the FG ADF. (b) One other asset, valued at $16,291,439, was not tested. Assuming that the net assets of the FG PAF were determined to be an appropriate approximation of the fair value of the Fund, the audit file shows: (a) The FG PAF was an unaudited fund. Therefore, the auditors would have needed to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale as to why only two assets were selected for testing. $16.3 million of assets were not tested, which was material to the net assets. (b) The FG PAF's statement of profit or loss was not included in the workpaper. To appropriately test the net asset value of the FG PAF, consideration needed to be given to the fund's income and expenses should be assessed to ensure the assets and liabilities are complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Pan Asia	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8**	On the assumption that the net assets of the FG PAF were determined to be an appropriate approximation of the fair value of FG PAF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG PAF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected one other additional asset (FG PAF's investment in 'AEF', valued at $16.3 million) due to its value being above the materiality threshold; (c) for each asset selected to be tested, obtained an understanding of the valuation method and assessed whether the assets were measured at a value that reflected fair value (if not, then the FG PAF net asset value would unlikely be an appropriate fair value); (d) reviewed the profit or loss statements of the FG PAF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further	**<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	Class (which was accessible via the FY23 Caseware audit file) note that all management and performance fees are being paid out of the underlying fund (being the FG PAF). The balance sheet alone did not demonstrate whether all management and performance fees have been correctly accounted for and, where applicable, accrued as a liability.	Sample Design, Size and Selection of Items for Testing	investigation (i.e. what fees are being paid and/or accrued, is this consistent with the Product Disclosure Statement and are there any fees missing that should be considered?)	**<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
40.	In relation to the $11,857,310 asset of the FG PAF named '*Interactive Brokers Transfer*', the audit file shows: (a) no details were recorded regarding the form of the summary statement received from Interactive Brokers Australia; (b) no details were recorded regarding whether the summary statement was provided directly by management, or whether it was obtained from Interactive Brokers directly (i.e. via an external confirmation); (c) no details were provided regarding the holdings of the Interactive Brokers account (i.e. shares, ETFs, currencies, options, bonds); (d) no documentary evidence exists in the audit file regarding interrogation of how a statement from Interactive Brokers was sufficient to be relied upon entirely for existence and valuation (i.e. how were the FGMF and the auditors sure that Interactive Brokers	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have: (a) obtained the statement that the FGMF noted it received from Interactive Brokers Australia either directly from the company via a confirmation sent directly from the auditor, or via the FGMF logging into any relevant account and downloading the statement with the auditor present. Any method utilised would be documented; (b) retained a copy of the Interactive Brokers Australia statement on the file; (c) confirmed the valuation of the assets in the statement to third party sources as at 30 June 2023 (i.e. by tracing a sample through to prices quoted on the relevant stock exchanges); (d) enquired whether Interactive Brokers Australia had any internal controls,	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	had appropriate internal controls to ensure reliable statements to be produced); (e) no procedures were performed on the valuation of the assets held by Interactive Brokers; and (f) a reference was made to "*Net liquidation value*" without explaining the meaning of that term, and why it was representative of fair value under AASB 13.	**Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 505** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	audits, or reporting that could be obtained to understand how the statements from Interactive Brokers Transfer can be relied upon for the existence of the assets; and (e) if no internal control reports are available, considered performing sample testing on the transactions during the year to validate the existence of the assets held at 30 June 2022.	System of Internal Control **ASA 330** **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 505** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **ASA 540** **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Risk Assessment Procedures and Related Activities
41.	In relation to the FG PAF's loan of $46,410,402 to the FG ADF (which is a related party considering it is one of the FGMF's other direct investments, and is managed and operated by Falcon Capital), there was no documentation in the audit workpaper demonstrating consideration of the following matters: (a) the purpose of the FG PAF lending money to the FG (b) the loan prima facie appears unusual given lending money is not an allowed investment by the FG PAF based on its Product Disclosure Statement (which was accessible via the FY23 Caseware audit file); (c) whether the loan's value of $46.4 million represented its fair value; (d) the interest rate being received on the loan; (e) whether the loan was provided at an arm's length interest rate; (f) whether a loan agreement was in place documenting the terms of the loan; (g) whether the loan balance was inclusive of interest being accrued; and (h) whether the loan was recoverable. See also row 25 for consideration of this transaction from the perspective of review of the assets and liabilities of the FG ADF. The FG ADF recorded this transaction as a loan payable of $46,574,779, which had a variance of $164,377 to the amount recorded by the FG PAF. These figures should be the same and the audit file shows the auditors failed to identify this discrepancy.	**ASA 250** **Paragraphs 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard	A reasonable and prudent auditor ought to have: (a) obtained a copy of any loan agreement between FG ADF and FG PAF; (b) obtained an understanding of why the loan was provided, given it was a related party transaction; (c) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (d) assessed whether the interest rate was a market rate, and therefore assessed whether the loan balance met the requirements of fair value under relevant accounting standards; (e) requested the FGMF to provide a recoverability assessment of the loan and then perform procedures to verify and assess whether the recoverability assessment was reasonable and supportable; and (f) investigated the variance between the loan payable recorded in FG ADF and the loan receivable in FG PAF and ensure the evidence being utilised was at the correct balance date.	**ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraphs 13 and 18 Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B4.4 Audit procedures planned and performed in relation to the First Guardian Private Equities Fund (FG PEF)				
42.	The audit file shows the net assets of the FG PEF were assumed to represent fair value, but the net assets of an unaudited, illiquid fund (like the FG PEF) do not automatically represent fair value, and needed to be assessed independently.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraphs 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG PEF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 18 Subjectivity		
43.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG PEF complied with the FGMF valuation policy, and whether the policy was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 540** **Paragraph 18** Responses to the Assessed Risks of Material Misstatement	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value and subsequently performed specific procedures to validate the valuation and the methodology applied to the FG PAF.	**ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
44.	The audit workpaper for the FG PEF notes that there is a variance of $3.7 million in the auditors' net asset value, as compared to the FGMF's value of the same. The workpaper notes: "*the difference is on account of assets been revalued at FGMF level*". There is no evidence in the audit file to suggest that further work was done to investigate or reconcile this variance.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 450** **Paragraph 5**	On the assumption that the net assets of the FG PEF were determined to be an appropriate approximation of the fair value of FG PEF, a reasonable and prudent auditor ought to have investigated the $3.7m variance to determine the cause of the variance, why FGMF recorded a higher value and what evidence management could provide to support how this higher value was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 450**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Accumulation of Identified Misstatements **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence	This additional information would then be verified and assessed against AASB 13 Fair Value.	**Paragraph 5** Accumulation of Identified Misstatements **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence
45.	The audit file shows the auditors did not independently validate whether the FGMF in fact held 96.09% of the units in the FG PEF.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG PAF ought to have been obtained to ascertain whether the FGMF did in fact hold 96.09% of units. A sample of unitholding movements (if applicable) ought to have been tested.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
46.	The audit file shows: (a) Only four of the FG PEF's assets were selected for testing, being: • $8,021,637 investment in 'QBI Equity - Brixx Indo'; • $5,589,329 investment in 'Trulet Pte Ltd - Singapore'; • $1,843,192 asset titled 'Inv. - LifePay'; and • $970,000 investment in Trulet Holdings Pty Ltd. (b) Eleven other assets, valued collectively, after applying adjustments, at $73 million, were not tested.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 12** Definitions **ASA 330**	On the assumption that the net assets of the FG PEF were determined to be an appropriate approximation of the fair value of FG PEF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG PEF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected eight other additional assets, alongside the $23	**ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(c) The FG PEF had one liability, totalling $5,136,416. This was not tested. Assuming that the net assets of the FG PEF were determined to be an appropriate approximation of the fair value of the Fund, the audit file shows the following: (a) The FG PEF was an unaudited fund. Therefore, the auditors would need to have validated a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document their rationale for why only four assets were selected for testing. $73 million of assets were not tested, which is material to the net assets. (b) The FG PEF's statement of profit or loss was not included in the workpaper. To appropriately test the net asset value of the FG PEF, consideration should have been given as to the fund's income and expenses, to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Private Equity Fund (which was accessible via the FY23 Caseware audit file) noted that all management and performance fees were paid out of the underlying fund (being the FG PEF). The balance sheet alone does not demonstrate whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability.	**Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	million adjustment for 'PE value uplift', due to its value being above the materiality threshold; (c) for each asset selected to be tested, obtained an understanding of the valuation method and assessed whether the assets were measured at a value that reflected fair value (if not, then the FG PEF net asset value would unlikely be an appropriate fair value); (d) reviewed the profit or loss statements of the FG PEF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees are being paid and/or accrued, is this consistent with the Product Disclosure Statement and are there any fees missing that should be considered?); and (e) investigated further the $3 million difference between the carrying value in the FG PEF financial statements as compared to the FGMF financial statements.	Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
47.	In relation to the FG PEF's investment in 'QBI Equity - Brixx Indo' of $8,021,637, which related to a convertible	**<u>ASA 315</u>** **Paragraph 11**	A reasonable and prudent auditor ought to have:	**<u>ASA 315</u>** **Paragraph 19**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	note agreement between PT Briix Group Indonesia (the issuer) and the FG PEF (the noteholder), the audit file shows: (a) no details were collected regarding the purpose of the note, or the assets of the issuer; (b) no verification was undertaken as to whether the interest of 12% pa was in fact being paid monthly to FG PEF (if it hadn't, it ought to have been added to the convertible note balance); (c) no validation was undertaken of the valuation of the note during the year, and the amount was simply stated - therefore, no evidence exists to indicate whether the balance at 30 June 2023 was accurate, existed or was complete; (d) no work was documented as to what the security arrangements were and how the auditors made themselves comfortable that they provided adequate coverage of the loan; and (e) the person signing on behalf of the Borrower (Brixx) in the Facility agreement on the audit file was Mr Conrad Leigh Warren. Mr Warren was listed in the First Guardian Pan Asia Class Product Disclosure Statement as FGMF's Head of Asian Private Equity. There was no evidence in the audit file of consideration of this agreement as a related party transaction, nor is there evidence of any required additional considerations being undertaken as a result.	Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18**	(a) reviewed and tested the accuracy and valuation of convertible note (i.e. whether there were convertible features that had been considered as part of the calculation) (b) verified that FG PEF in fact obtained appropriate security when providing the note; (c) conducted due diligence to obtain details regarding PT Briix's business and the purpose of the convertible note; (d) investigated whether the note was being given on an arm's length basis; (e) recalculated the interest receivable based on the loan agreement and ensured that amount had been included with the note balance, or, in the alternative, had been repaid; (f) validated repayments received to bank statements; (g) obtained independent valuation on security obtained, and assessed whether the valuation could be relied upon; and (h) obtained the FGMF's recoverability assessment and requested financial information of PT Briix.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		**Paragraph 18** Responses to the Assessed Risks of Material Misstatement **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
48.	In relation to the FG PEF's investment of $5,589,329 in Trulet Pte Ltd, which related to a share issuance agreement between the FG PEF (the subscriber) and Trulet Pte Ltd (the issuer), the audit file shows: (a) No details were recorded regarding the business of Trulet Pte Ltd; (b) No verification was undertaken to confirm that shares were in fact issued pursuant to the share issuance agreement; (c) no validation was undertaken regarding the additions to shares during the year; (d) no investigation was undertaken as to whether an agreement existed allowing for cash payments for shares;	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25**	A reasonable and prudent auditor ought to have: (a) obtained share certificates to ensure evidence existed proving the shares were issued; (b) obtained financial statements for Trulet Pte Ltd, and undertaken an independent assessment of the valuation of the shares; (c) obtained due diligence details of Trulet Pte Ltd; (d) tested any movements regarding the investment from FY22 to FY23 (i.e. whether new shares were issued);	**<u>ASA 315</u>** **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(e) no independent assessment was undertaken as to the valuation of the shares and whether impairment exists (Trulet Pte Ltd was not a listed entity, so the trial balance would need to be assessed to consider the valuation of the shares); and (f) no external valuation was referred to in the workpaper.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard	(e) validated payments received to bank statements; and (f) obtained the FGMF's impairment assessment and requested financial information of Trulet Pte Ltd.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard
49.	In relation to the FG PEF's investment of $1,843,192 in LifePay, which related to a share issuance agreement between the First Guardian Fintech Opportunities Fund (the subscriber) and Lifepay Pty Ltd (the issuer), the audit file shows: (a) no details were recorded regarding the business of Lifepay Pty Ltd;	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial	A reasonable and prudent auditor ought to have: (a) obtained share certificates to ensure evidence existed proving the shares were issued; (b) obtained financial statements for Lifepay Pty Ltd, and undertaken an independent	**<u>ASA 315</u>** **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(b) no investigation was undertaken regarding the fact that the party to the share issuance agreement was a fund called 'FG Fintech Opportunities Fund', rather than the FG PEF; (c) no verification was undertaken to confirm that shares were in fact issued pursuant to the share issuance agreement; (d) no validation was undertaken regarding the additions to shares during the year; (e) no investigation was undertaken as to whether an agreement existed allowing for cash payments for shares; and (f) no independent assessment was undertaken as to the valuation of the shares and whether impairment exists (Lifepay Pty Ltd was not a listed entity, so the trial balance would need to be assessed to consider the valuation of the shares).	Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard	assessment of the valuation of the shares; (c) obtained due diligence details of Lifepay Pty Ltd; (d) tested any movements regarding the investment from FY22 to FY23 (i.e. whether new shares were issued); (e) validated payments received to bank statements; and (f) obtained the FGMF's impairment assessment and requested financial information of Lifepay Pty Ltd.	Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard
50.	In relation to the FG PEF's investment in Trulet Holdings Pty Ltd' of $970,000, which related to a convertible loan	**<u>ASA 315</u>** **Paragraph 11** Objective	A reasonable and prudent auditor ought to have:	**<u>ASA 315</u>** **Paragraph 19**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	agreement between Trulet Holdings Pty Ltd (the investee) and the FG PEF (the investor), the audit file shows: (a) no details were collected regarding the purpose of the note, or the assets of the issuer; (b) no verification was undertaken as to whether the interest of 10% per annum was in fact being paid monthly to FG PEF (if it was not, it ought to have been added to the convertible note balance); and (c) no validation was undertaken as to the valuation of the note during the year, and the amount was simply stated - therefore, no evidence exists in the audit file to indicate whether the balance at 30 June 2023 was accurate, existed or was complete.	**Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence	(a) reviewed and tested the accuracy and valuation of convertible note (i.e. whether there were convertible features that had been considered as part of the calculation); (b) verified that FG PEF in fact obtained appropriate security when providing the note; (c) conducted due diligence to obtain details regarding Trulet Holdings Pty Ltd's business and the purpose of the convertible loan; (d) recalculated the interest receivable based on the loan agreement and ensured that amount had been included with the note balance, or, in the alternative, had been repaid; (e) validated repayments received to bank statements; (f) obtained independent valuation on security obtained, and assessed whether the valuation could be relied upon; and (g) obtained the FGMF's recoverability assessment and requested financial information of Trulet Holdings Pty Ltd.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **<u>ASA 550</u>** **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B4. Audit procedures planned and performed for liabilities				
51.	The FY23 financial statements for the FGMF recorded nil liabilities. There was no documentation in the audit file demonstrating the auditors' consideration as to whether liabilities were recorded completely for FY23. In particular, a fund of the size and nature of the FGMF would typically record accruals for distributions payable, responsible entity fees and investment management fees as well as payables for redemptions requested but not yet paid. Whilst the immaterial balance may be appropriate, there was no documentation in the audit file demonstrating that the auditors considered this and sufficiently understood how liabilities were appropriately nil.	**ASA 200** **Paragraph 15** Professional scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraphs 19 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's	The identification of a misstatement for lack of audit fee accrual would be an indicator for other potential completeness issues. As such, testing to address the risk of completeness should have been designed and performed, which ought to have included: (a) Unrecorded liability testing (selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2023); and (b) Consideration of typical expenses for an investment fund and whether there were any omitted liabilities at 30 June 2023, such as distribution expenses (returns paid to unitholders), responsible entity fees, investment manager fees, tax advisor fees, etc.	**ASA 315** **Paragraphs 19 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		System of Internal Control **ASA 330** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level		the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
B5. Audit procedures planned and performed for net assets attributable to unitholders				
52.	The FGMF recorded $147,289,372 in '*applications*' (i.e. new funds received by new or existing investors). In return for the '*applications*', investors received units based on the unit price of the fund as at the date of the application. The audit file shows no audit evidence was obtained by the auditors to validate the occurrence and accuracy of these applications.	**ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have selected a sample of application transactions for substantive testing. The testing performed for each selected sample should include the following procedures: (a) obtaining the subscription/application forms completed by the unitholder; (b) agreeing the details of the application form to accounting recorded i.e. the name of the unitholder, the dollar amount being invested, the date of the application; (c) recalculating the unit price (dollar amount invested divided by units issued) and verifying the unit price agrees to the Fund's unit price schedule at the date of the application to ensure the application as recorded at the correct unit price; and (d) agreeing the application amount to monies received in the bank statement to verify receipt of funds.	**ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
53.	The FGMF recorded $65,657,939 in '*redemptions*' (i.e. the funds to be paid to unitholders upon their exit from a fund, at which point they relinquish their units in the fund in exchange for cash based on the unit price of the fund as at the date of the redemption). There was no audit evidence in the audit file to validate the occurrence and accuracy of these redemption applications.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have selected a sample of redemption transactions for substantive testing. The testing performed for each selected sample should include the following procedures: (a) obtaining the redemption request completed by the unitholder; (b) agreeing the details of the redemption request to accounting records (i.e. the name of the unitholder, the dollar amount or number of units requested to be redeemed, and the date of the redemption); (c) recalculating the unit price (dollar amount redeemed divided by number of units redeemed) and verifying the unit price agrees to the Fund's unit price schedule at the date of the redemption to ensure the redemption is recorded at the correct unit price; and (d) agreeing redemptions to monies paid in the bank statement to verify the redemptions have been paid.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
54.	The audit file shows the auditors did not undertake any testing of transactions around the year-end, to address any risk of premature recognition of applications or delayed recognition of redemptions that may have been used in an attempt to inflate Net Asset Value (**NAV**).	**<u>ASA 330</u>** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor would have selected a sample of applications and redemptions close to balance date (i.e. transactions near the end of 30 June 2023 and transactions at the start of July 2023) for cut-off testing. The same procedures set out in rows above would be performed, with a specific focus on reviewing the date of the application or redemption and ensuring the transaction was recorded in the correct period.	**<u>ASA 330</u>** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level
55.	In its risk assessment, the auditors identified a risk that there was an 'error in unit pricing'. There is no evidence in	**<u>ASA 200</u>** **Paragraph 15**	A reasonable and prudent auditor ought to have performed an analytical review on units	**<u>ASA 315</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	the audit file to suggest this risk was tested or investigated further. Prima facie, the application and redemption amounts noted in the audit workpaper appear unusual, as they imply that either unit pricing was incorrect, or either of the unit or dollar values was incorrect. Whilst no further information was available in the workpaper to assess whether or not an error was present, the composition of the reconciliation ought to have prompted further investigation. There is no evidence of any such investigation in the audit file.	Professional scepticism **ASA 330** **Paragraph 5** Overall Responses **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 9** Sufficient Appropriate Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 520** **Paragraph 7** Investigating Results of Analytical Procedures	issued (including comparing the average unit pricing of applications and redemptions) to identify any anomalies or unusual movements. Any such anomalies or unusual movements ought to have been investigated further.	**Paragraphs 14(b) and A27** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 520** **Paragraph 7** Investigating Results of Analytical Procedures
B6. Audit procedures planned and performed for Related Party Transactions				
56.	The understanding of related transactions that was documented by the auditors in the audit file was minimal and did not demonstrate an understanding of the magnitude of related party transactions that were occurring in the FGMF. These related party transactions included the direct investments of the FGMF, which were mostly in funds that were related parties of the FGMF. In some	**ASA 200** **Paragraph 15** Professional scepticism **ASA 230** **Paragraph 8**	A reasonable and prudent auditor would obtain a thorough understanding of the related parties and transactions connected to FGMF. This would include: (a) obtaining management's related party register;	**ASA 315** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	cases, these underlying related party funds also had underlying assets that comprised related party transactions, which the auditors ought to have been able to identify in their audit.	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 6(c)** Risk Assessment Procedures and Related Activities **Paragraphs 11 and 12** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 550** **Paragraph 4** Responsibilities of the Auditor **Paragraphs 11, 13, 14 and 15** Risk Assessment Procedures and Related Activities	(b) discussions with management and the directors; (c) review of board minutes; (d) review of previous audit files; (e) review of group/entity/investment structures; and (f) undertaking of company and/or director searches.	**Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 550** **Paragraphs 11-15** Risk Assessment Procedures and Related Activities
57.	There is no documented evidence in the audit file to suggest that the auditors recorded the existence of related party transactions as representing a fraud risk factor that needed to be considered in the audit plan.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8**	Where related party transactions are found to exist, a reasonable and prudent auditor should assess and document whether there are elevated levels of risk due to fraud or error from the transactions and whether opportunity or incentives exist.	**ASA 240** **Paragraphs 22, 24 and 25** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 28** Identifying and Assessing the Risks of Material Misstatement **ASA 330** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level		**Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraphs 28 and 31** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraphs 18 and 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>ASA 550</u> **Paragraphs 11, 13, 14 and 15** Risk Assessment Procedures and Related Activities		
58.	There is no documented evidence in the audit file to suggest that: (a) the auditors undertook searches for undisclosed related party transactions or for related party transactions disclosed (such as the payment of the FGMF's fees by underlying investments); or (b) that validation of these transactions was undertaken.	**<u>ASA 200</u>** **Paragraph 8** An Audit of a Financial Report **<u>ASA 240</u>** **Paragraphs 22, 24 and 25** Risk Assessment Procedures and Related Activities **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **<u>ASA 315</u>** **Paragraphs 28 and 31** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 550</u>** **Paragraphs 20, 21 and 22**	For managed investment schemes specifically, related party transactions should be reviewed against product disclosure statement (**PDS**) documents to ensure that they were fully disclosed to investors and whether the PDS stated any specific requirements for related party transactions i.e. approval by the unitholders.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 250</u>** **Paragraphs 13 and 14** The Auditor's Consideration of Compliance with Laws and Regulations **<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **Paragraph 28** Documentation		**<u>ASA 550</u>** **Paragraphs 23(b)** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
59.	In the audit plan, the auditors planned that they would challenge the FGMF's valuations of related party transactions, and the FGMF's assessment of those transactions being arm's length. There is no documented evidence in the audit file to suggest that the auditors in fact completed these procedures, or that it had challenged the FGMF's valuations and assessments in any other way.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 330</u>** **Paragraph 5** Overall Responses **Paragraphs 18 and 21**	A reasonable and prudent auditor ought to have designed and undertaken specific procedures on related party transactions identified during the audit, including: (a) obtaining, reviewing, and documenting any relevant agreements in place for these transactions; (b) assessing whether the transactions are at arm's length; and (c) applying extra scrutiny to information provided about related party transactions, or information provided from the related parties, to ensure the information is reliable.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 240</u>** **Paragraph 33(c)** Responses to the Assessed Risks of Material Misstatement Due to Fraud **<u>ASA 500</u>** **Paragraphs 7-9**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraphs 13 and 18** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 23(a)-(c) and 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Information to be Used as Audit Evidence **ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 22-24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
60.	The disclosures included in the FGMF's FY23 financial statements do not include any disclosures as to: (a) the '*management fees*' which are '*payable to the investment manager by the underlying funds*'.; (b) the underlying related party transactions conducted at the investment level in the underlying funds (see section B4 above); and	**ASA 550** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions	A reasonable and prudent auditor should verify that all related party transactions identified during the audit are accurately disclosed in the financial report.	**ASA 550** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(c) the terms and conditions of any such related party transactions.	**Paragraph 26** Written Representation **Paragraph 27** Communication with Those Charged with Governance __**ASA 700**__ **Paragraph 6** Objectives **Paragraphs 13(c)-(d), 14, 17 and 18** Forming an Opinion on the Financial Report		Relationships and Transactions **Paragraph 26** Written Representations __**ASA 700**__ **Paragraphs 13(c), 13(d) and 14** Forming an Opinion on the Financial Report
B7. Audit procedures planned and performed to address an auditor's responsibilities relating to fraud in an audit of a financial report				
61.	There is no evidence in the audit file to indicate that any planning occurred between audit team members to discuss the likelihood and susceptibility of fraud in the financial report of the FGMF for FY23. Even if Mr. Khan was the sole auditor, as part of the risk assessment to be undertaken, the audit file was still required to include documentation demonstrating how the audit team had considered where fraud risks may exist.	__**ASA 200**__ **Paragraph 15** Professional Scepticism __**ASA 230**__ **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained __**ASA 240**__ **Paragraphs 16** Discussion among the Engagement Team **Paragraph 44**	A discussion with the engagement team ought to have been held and documented (or in absence of other team members, documentation should still have occurred) demonstrating consideration of the likelihood and susceptibility of fraud in the financial report and identification of any fraud risk factors.	__**ASA 200**__ **Paragraph 15** Professional Scepticism __**ASA 230**__ **Paragraphs 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained __**ASA 240**__ **Paragraphs 16**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Reporting Fraud to an Appropriate Authority Outside the Entity **<u>ASA 315</u>** **Paragraph 17** Risk Assessment Procedures and Related Activities		Discussion among the Engagement Team **Paragraph 44(a)** Reporting Fraud to an Appropriate Authority Outside the Entity **<u>ASA 315</u>** **Paragraph 17** Risk Assessment Procedures and Related Activities
62.	The majority of the FGMF's direct investments were unaudited, unregistered funds that were managed by Falcon Capital (the responsible entity for the FGMF). These are unaudited related parties which ought to have been considered in the auditors' fraud risk assessment. The documents included in the audit plan make no reference to potential fraud risk from related party transactions, despite the fund's structure ensuring such a risk should have been included in the auditor's fraud risk assessment. ASA 240 specifically lists, as a fraud risk factor, '*significant related-party transactions not in the ordinary course of business or with related entities not audited*'.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 240</u>** **Paragraphs 24** Risk Assessment Procedures and Related Activities **Paragraph 26** Identification and Assessment of the	Specific consideration ought to have been given (and documented) to whether the large number of related party transactions represented a fraud risk that required specific audit procedures to be designed and performed.	**<u>ASA 240</u>** **Paragraphs 22 and 24** Risk Assessment Procedures and Related Activities **Paragraph 26** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **<u>ASA 315</u>** **Paragraphs 28 and 31** Identifying and Assessing the

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 28** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraph 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Risks of Material Misstatement **ASA 550** **Paragraphs 18 and 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
63.	In FY23, the FGMF had a large growth in total assets, but, in contrast, had a relatively small growth in income (the FGMF's income was only 1.37% of the total value of its assets for FY23).	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures	The large growth in assets and accompanying small growth in revenue ought to have prompted further investigation for a reasonable and prudent auditor.	**ASA 200** **Paragraph 15** Professional Scepticism

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	There is no evidence in the audit file to suggest that, in the auditors' fraud work program, any work was undertaken regarding evaluation of unusual or unexpected relationships such as this relationship between growth in assets and growth in income.	Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 21, 22 and 23** Risk Assessment Procedures and Related Activities **Paragraph A11** Discussion among the Engagement Team **ASA 315** **Paragraph 14(b)** Risk Assessment Procedures and Related Activities **Paragraph 31** Identifying and Assessing the Risks of Material Misstatement **ASA 520** **Paragraph 5** Substantive Analytical Procedures **Paragraph 7** Investigating Results of Analytical Procedures		**ASA 240** **Paragraph 23** Risk Assessment Procedures and Related Activities **Paragraph A11** Discussion among the Engagement Team **ASA 315** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 31** Identifying and Assessing the

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Risks of Material Misstatement **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 520</u>** **Paragraph 5** Substantive Analytical Procedures **Paragraph 7** Investigating Results of Analytical Procedures
64.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. The checklist did not include any procedures relating to the risk of fraud. There is no evidence in the audit file to suggest that the auditors identified a risk of fraud in relation to revenue recognition, as required by ASA 240.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 240</u>** **Paragraphs 27 and 28** Identification and Assessment of the Risks of Material	A reasonable and prudent auditor ought to have: (a) identified a risk of fraud in relation to revenue recognition - or if no fraud risk was identified, should have documented their rebuttal of this presumed risk; and (b) at a minimum, designed and performed substantive tests of details, to specifically address risk of fraud in revenue recognition.	**<u>ASA 240</u>** **Paragraphs 26 and 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Misstatement Due to Fraud **Paragraph 29** Responses to the Assessed Risks of Material Misstatement Due to Fraud **<u>ASA 300</u>** **Paragraph 12** Documentation **<u>ASA 330</u>** **Paragraphs 7, 18 and 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence		Material Misstatement Due to Fraud **Paragraph 47** Documentation **<u>ASA 330</u>** **Paragraphs 7, 8 and 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
65.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. The checklist included, amongst other things, a statement that the auditors would test journal entries recorded in the general ledger. The checklist was marked as 'completed' by the auditors. There is no evidence in the audit file to suggest that the auditors performed any journal testing.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 240</u>** **Paragraphs 32, 33 and 34**	As mandatorily required by ASA 240, an evaluation of the controls around journal entries should have been performed and documented. The auditor also ought to have tested a sample of journal entries.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 240</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity **Paragraph 47** Documentation **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence		**Paragraphs 32, 33 and 34** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity **<u>ASA 315</u>** **Paragraph 12** Definitions **Paragraphs 21 and 22** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control **<u>ASA 330</u>** **Paragraphs 8 and 10**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
66.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. The checklist included, amongst other things, a statement that the auditors would review accounting estimates for bias. The checklist was marked as 'complete' by the auditors. There is no evidence in the audit file to suggest that the auditors corroborated or challenged any estimates provided by the fund for bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	Accounting estimates provided by the FGMF ought to have been audited, including undertaking evaluation of management bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 9 Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Auditing Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **Paragraph 18** Responses to the Assessed Risks of Material Misstatement		**ASA 540** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **Paragraph 21** Response to the Assessed Risks of Material Misstatement
B8. Audit procedures planned and performed for Financial Statement Disclosures				
67.	There is no documented evidence in the audit file to demonstrate how each amount and disclosure in the financial statements of the FGMF had been validated or agreed to be audited information. In particular, there is no evidence of the following key disclosures in the 30 June 2023 audited financial statement being validated: • Cash flow statement • Note 6: Financial assets at fair value through profit or loss - the allocation of financial assets between Equity, Property and Fixed Income	**ASA 230** **Paragraphs 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraphs 19 and 21** Audit Procedures Responsive to the	As part of planning and risk assessment, a reasonable and prudent auditor ought to: (a) Identify and assess whether there are any risks associated with financial statement disclosures, including risk of omissions; (b) perform a test of completeness and accuracy of the disclosures by agreeing the information disclosed in the financial statements to audited information (i.e. the audited trial balance or information included in the financial assets	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• Note 7: Net assets attributable to unit holders. Application and redemption movements • Note 8: Financial risk management • Note 9: Fair value measurement (i.e. the allocation of financial assets between level 1, 2 and 3 fair values)	Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 540</u>** **Paragraph 17**	workpapers) or by performing additional audit procedures to ensure all material disclosures have been verified; (c) complete a disclosure checklist to ensure completeness of the disclosures required under Australian Accounting Standards; (d) Consider the impact of any disclosure errors or omissions on the audit opinion and request management to make corrections.	**Paragraphs 22 and 24** Risk Assessment Procedures and Related Activities **<u>ASA 260</u>** **Paragraph 16(b)** Matters to be Communicated **<u>ASA 300</u>** **Paragraph 9** Planning Activities **Paragraph 12** Documentation **<u>ASA 315</u>** **Paragraphs 19 and 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 29** Identifying and Assessing the

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identifying and Assessing the Risks of Material Misstatement **Paragraph 21** Response to the Assessed Risks of Material Misstatement **ASA 700** **Paragraph 6** Objectives **Paragraphs 13(e) and 14** Forming an Opinion on the Financial Report		Risks of Material Misstatement **ASA 330** **Paragraphs 15 and 20** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 8** Communication and Correction **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements

ANNEXURE C
FY23 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				<u>ASA 500</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraphs 18 and 20** Response to the Assessed Risks of Material Misstatement **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **<u>ASA 700</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Paragraphs 11, 13(c), (d) and (e) and 14 Forming an Opinion on the Financial Report **Paragraph 17 and 18** Form of Opinion **<u>ASA 720</u>** **Paragraph 14** Reading and Considering the Other Information
68.	Note 12 of the FGMF's FY23 financial statement provides details of the Fund's holdings in relevant related parties. The Note identifies 8 entities that fall within the same group as the responsible entity of the FGMF, Falcon Capital Limited and these are all underlying First Guardian funds. However, there is no evidence to suggest that any work was performed by the auditors to corroborate the interest percentage held in each of these entities by Falcon Capital as disclosed. Note 12 also states that the only transactions between Falcon Capital and related parties were the payment of management fees to the investment manager (i.e. Falcon Capital) by each of the underlying funds. The auditors did not adequately corroborate this statement because: (a) they recorded that they had reviewed the balance sheets of the underlying funds, where other documents ought to have also been reviewed; and	**<u>ASA 240</u>** **Paragraph 24** Risk Assessment Procedures and Related Activities **<u>ASA 450</u>** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **<u>ASA 550</u>** **Paragraphs 13 and 14**	The steps of a reasonable and prudent auditor stated in row 67 at column IV are repeated.	The list of relevant ASAs stated in row 67 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(b) in Note 12, the auditors state that "no Director of the Responsible Entity was paid any remuneration by the Fund during the financial year" - however, this still leaves open the possibility that a management fee could have been paid indirectly through the underlying funds, and the auditors did not investigate this point further. Additionally, there are numerous underlying investments in the underlying, unregistered funds that are transactions with entities related to one of the directors of Falcon Capital, David Anderson (see for example section **B4** above). These investments are not disclosed in Note 12. This is a disclosure breach of the Australian Accounting Standards, specifically: • AASB 124 Related Party Disclosures (paragraphs 13, 17, 18, 19, 21, 23)	Risk Assessment Procedures and Related Activities **Paragraphs 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **<u>ASA 700</u>** **Paragraphs 13(c) and 14** Forming an Opinion on the Financial Report		
69.	Note 9 of the FGMF's FY23 financial statement relates to fair value measurement. The disclosure shows that FGMF's financials assets are mostly assets with valuations that fall in the 'Level 1' or 'Level 2' fair value category. This disclosure informs users how valuations have been determined and importantly, how much estimation and judgement is needed in determining valuations of the assets.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 315</u>** **Paragraph 21** Obtaining an Understanding of the Entity and Its	The steps of a reasonable and prudent auditor stated in row 67 at column IV are repeated.	The list of relevant ASAs stated in row 67 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• Level 1 fair value assets are the most reliable valuations (as they valued using prices quoted in active independent markets, such as shares trading on the ASX). • Level 2 fair value assets are those where valuation is based on observable inputs, but not a quoted market (e.g. a unit price from an external investment manager where there is regular unit pricing data and audited financials available to support the unit pricing). • Level 3 fair values are unobservable inputs, driven by models and significant management judgement. The FGMF's financial assets are in related party unaudited managed investment schemes. Based on the above descriptions, these assets would usually constitute a level 3 valuation and consequently be disclosed as level 3 fair values. The assets held by the underlying managed investment schemes, which included mostly equity investments in private companies and loans to private entities, would largely also be classified as level 3 assets. These were in fact marked as level 2 property assets, however the explanation of the level 2 property assets valuation included in the Note specifically describes a level 3 valuation. Additionally, the methodology described in this Note is not consistent with any of the evidence obtained by the auditors in the financial assets audit procedures (see above sections of this annexure). Finally, the FGMF's disclosure in this Note seems to be trying to demonstrate the fair value of the FGMF's indirect exposure to the different classes of assets by 'looking	Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 450</u>** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **<u>ASA 500</u>** **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraphs 18, 20 and 21**		

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	through' the direct investment to the underlying assets. However, the disclosure does not make this clear and is therefore misleading. This is a disclosure breach of the Australian Accounting Standards, specifically: • AASB 7 Financial Instruments: Disclosures paragraphs 25, 27 • AASB 13 Fair Value paragraphs 72, 73, 76, 81, 86, 87, 91, 93.	Response to the Assessed Risks of Material Misstatement **ASA 700** **Paragraph 6** Objectives **Paragraph 13(c) and (d)** Forming an Opinion on the Financial Report		
C.	**Insufficient audit documentation was prepared and/or maintained in breach of auditing standards**			
70.	Refer to rows 11, 12, 14, 16, 17, 18, 19, 21, 26, 27, 28, 30, 36, 39, 42, 43, 44, 46, 51, 58, 59, 60, 61, 62, 63, 64, 65, 66 and 67 of section B of this Annexure.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained	Refer to rows 11, 12, 14, 16, 17, 18, 19, 21, 26, 27, 28, 30, 36, 39, 42, 43, 44, 46, 51, 58, 59, 60, 61, 62, 63, 64, 65, 66 and 67 of section B of this Annexure	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained
71.	Refer to rows 61 and 67 of section B of this Annexure.	**ASA 230** **Paragraph 9** Documentation of the Audit Procedures and Audit Evidence Obtained	Refer to rows 61 and 67 of section B of this Annexure	**ASA 230** **Paragraph 9** Documentation of the Audit Procedures and Audit Evidence Obtained
D.	**Insufficient audit evidence was obtained in breach of auditing standards**			
72.	Refer to rows 9, 10, 12, 19, 20, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, 33, 34, 35, 38, 39, 40, 41, 44, 46, 47, 48, 49, 50, 51, 52, 53, 58, 64, 65, 66 and 67 of section B of this Annexure.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	Refer to rows 9, 10, 12, 19, 20, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, 33, 34, 35, 38, 39, 40, 41, 44, 46, 47, 48, 49, 50, 51, 52, 53, 58, 64, 65, 66 and 67 of section B of this Annexure	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
73.	Refer to rows 23, 24, 25, 31, 32, 33, 34, 35, 40, 41, 47, and 50 of section B of this Annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence	Refer to rows 23, 24, 25, 31, 32, 33, 34, 35, 40, 41, 47, and 50 of section B of this Annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence
74.	Refer to rows 15 and 23 of section B of this Annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence	Refer to rows 15 and 23 of section B of this Annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence
75.	Refer to rows 19, 22, 23, 28, 44, 51, 55, 58, 67, 68 and 69 of section B of this Annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence	Refer to rows 19, 22, 23, 28, 44, 51, 55, 58, 67, 68 and 69 of section B of this Annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence
76.	Refer to rows 23, 31, 34, 40 and 55 of section B of this Annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence	Refer to rows 23, 31, 34, 40 and 55 of section B of this Annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence
77.	Refer to row 15 of section B of this Annexure.	**ASA 500** **Paragraph A25** Sufficient Appropriate Audit Evidence	Refer to row 15 of section B of this Annexure.	**ASA 500** **Paragraph A25** Sufficient Appropriate Audit Evidence

ANNEXURE D
FY24 Financial Audit

Details of Australian Auditing Standards (ASA) referenced in Annexure D			
ASA	**Title**	**Compilation date**	**Operative date**
ASA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)	15 December 2022	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2022
ASA 220	Quality Control for an Audit of a Financial Report and Other Historical Financial Information	14 December 2021	For financial reporting periods commencing on or after 1 January 2010
ASA 230	Audit Documentation (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022 but before 15 December 2023
ASA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022 but before 15 December 2023
ASA 260	Communication with those Charged with Governance	8 July 2020	For financial reporting periods ending on or after 15 December 2016
ASA 300	Planning an Audit of a Financial Report (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022 but before 15 December 2023
ASA 315	Identifying and Assessing the Risks of Material Misstatement	14 December 2022	For financial reporting periods beginning on or after 15 December 2022 but before 15 December 2023
ASA 320	Materiality in Planning and Performing an Audit (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 330	The Auditor's Responses to Assessed Risks (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 402	Auditing Considerations Relating to an Entity Using a Service Organisation	14 December 2021	For financial reporting periods commencing on or after 1 January 2010
ASA 450	Evaluation of Misstatements Identified during the Audit (Compiled)	14 September 2017	For financial reporting periods beginning on or after beginning on or after 1 January 2018
ASA 500	Audit Evidence (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022
ASA 505	External Confirmations (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 520	Analytical Procedures (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 530	Audit Sampling (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021
ASA 540	Auditing Accounting Estimates and Related Disclosures (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022
ASA 550	Related Parties (Compiled)	14 December 2021	For financial reporting periods beginning on or after 15 December 2021 but before 15 December 2023
ASA 600	Special Considerations - Audits of a Group Financial Report	14 December 2021	For financial reporting periods ending on or after 1 January 2010
ASA 620	Using the Work of an Auditor's Expert	14 December 2022	For financial reporting periods commencing on or after 1 January 2010
ASA 700	Forming an Opinion and Reporting on a Financial Report (Compiled)	14 December 2022	For financial reporting periods beginning on or after 15 December 2022 but before 15 December 2023
ASA 720	The Auditor's Responsibilities Relating to Other Information	8 July 2020	For financial reporting periods ending on or after 15 December 2016

ANNEXURE D
FY24 Financial Audit

<table>
<tr><th>I
Row</th><th>II
Particulars of breach</th><th>III
Auditing standard breached (Standard, paragraph number, topic area)</th><th>IV
Steps of a reasonable and prudent auditor</th><th>V
Auditing standard relevant to reasonable steps</th></tr>
<tr><td colspan="5">A. Audit planning was inadequate and in breach of auditing standards</td></tr>
<tr><td>1.</td><td>In their Risk Assessment checklist, the engagement team discussion regarding material misstatement due to fraud was marked as “Blank” by the auditors. Such a discussion was required to cover:
(a) how and where the entity's financial report may have been susceptible to material misstatement due to fraud (including how fraud might occur); and
(b) any controls identified to address assessed risks of material misstatement due to fraud.

There is no evidence in the audit file to suggest that:
(a) any such team discussion took place (and, if it did, there is no evidence to suggest that there was a record of the matters discussed or significant decisions reached); or
(b) who participated in any such discussion (and, in particular, whether the engagement partner and other key engagement team members were involved).</td><td><u>ASA 300</u>
Paragraph 5
Involvement of Key Engagement Team Members

<u>ASA 315</u>
Paragraph 17
Risk Assessment Procedures and Related Activities

Paragraph 38(a)
Documentation</td><td>A reasonable and prudent auditor ought to have:
(a) held a documented engagement team discussion at the planning stage, involving the engagement partner and other key engagement team members; and
(b) recorded in the audit file the date of the discussion, the attendees and their roles, the matters discussed (in particular, the susceptibility of the financial report to material misstatement due to fraud and the identified controls addressing those risks), and the significant decisions reached.</td><td><u>ASA 300</u>
Paragraph 5
Involvement of Key Engagement Team Members

<u>ASA 315</u>
Paragraph 17
Risk Assessment Procedures and Related Activities

Paragraph 38(a)
Documentation</td></tr>
<tr><td>2.</td><td>The auditors prepared a dashboard which stated total balances (assets, liabilities, revenue), liquidity ratios, profitability ratios that were automatically generated within CaseWare.

In the audit file, the documented assessment of the above figures and ratios was limited to the following:
(a) In relation to assets: "Total assets increased during the year due to increase in asset value and increase in investment amount. This is inline with increased investment and valuation"; and
(b) in relation to revenue and profit: "The change is inline with growth in asset valuation."

Apart from the inclusion of the above two comments, there is no evidence in the audit file to suggest any other analysis or commentary was performed on the resulting movements, ratios or relationships. In particular, the auditors did not document in the audit file:</td><td><u>ASA 315</u>
Paragraph 14(b) , A15 , A27
Risk Assessment Procedures and Related Activities</td><td>A reasonable and prudent auditor ought to have performed, at a minimum, a year-on-year analytical review, comparing profit or loss items and balance sheet items to the 30 June 2023 balances. Any significant movements or movements that were unusual should have been considered for heightened risks that ought to have been considered in the audit plan.</td><td><u>ASA 315</u>
Paragraph 14(b) and A27
Risk Assessment Procedures and Related Activities</td></tr>
</table>

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(a) any expectation against which the actual results were compared; (b) any analysis of the movements or relationships; (c) any identification of inconsistencies or unexpected relationships; or (d) any linkage between the output and the identification or assessment of risks of material misstatement.			
3.	In their Risk Assessment checklist, the auditors did not mark the engagement team discussion on material misstatement due to fraud as having been completed. In the audit file, there is no other documentation, or other explanation recorded, that evidences that the discussion took place, who attended and whether the required matters were discussed. The audit file lacks: (a) evidence that the discussion took place between the engagement partner and other key engagement team members; (b) documentation of the matters discussed, in particular the application of the applicable financial reporting framework and the susceptibility of FGMF's financial report to material misstatement; (c) identification of any engagement team members not involved in the discussion and the matters communicated to those members; and (d) documentation of the significant decisions reached.	<u>**ASA 315**</u> **Paragraph 17 and 18** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation	A reasonable and prudent auditor ought to have: (a) held an engagement team discussion at the planning stage involving the engagement partner and other key engagement team members; (b) documented the date, attendees, matters discussed (including the application of the financial reporting framework and the susceptibility of the financial report to material misstatement), and the significant decisions reached; and (c) where any key engagement team members were not present, documented who they were and what matters were communicated to them, and how this was done.	<u>**ASA 315**</u> **Paragraph 17 and 18** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation
4.	In the audit document titled '*Understanding the Entity (Internal Controls)*', the auditors did not include any items related to paragraph 22 of ASA 315. In the audit file, there is no alternative documentation demonstrating that the auditors had: (a) understood how the FGMF identified business risks relevant to financial reporting objectives;	<u>**ASA 315**</u> **Paragraph 22** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	A reasonable and prudent auditor ought to have: (a) obtained the FGMF's documented risk management framework, compliance plan and risk register (or, where such documents did not exist, made enquiries of management as to how risks were identified, assessed and addressed in practice); (b) documented in the audit file the entity's process, the source of the information	<u>**ASA 315**</u> **Paragraph 17 and 18** Risk Assessment Procedures and Related Activities **Paragraph 38(a)** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(b) understood how the FGMF assessed the significance of those risks, including the likelihood of their occurrence; (c) understood how the FGMF addressed those risks; and (d) evaluated whether the process was appropriate to the FGMF's circumstances considering the nature and complexity of the entity. Paragraph 38(b) of ASA 315 specifically requires the auditors to document the key elements of the understanding obtained, the sources of information from which that understanding was obtained, and the risk assessment procedures performed. None of this documentation exists on the audit file.	**Paragraph 38(b)** Documentation	obtained, and the procedures performed to obtain that understanding; and (c) evaluated whether the process was appropriate to the nature and complexity of a registered managed investment scheme / public interest entity (such as the FGMF), and documented that evaluation.	
5.	In their audit document titled '*Understanding the Entity (Internal Controls)*', the auditors documented the following in relation to the information system relevant to financial reporting: "*Xero is used to keep financial records and Excel is for assets valuations*". In the audit file, no further explanation is provided regarding: (a) how information flows through the information system (initiation, recording, processing, correction, posting to general ledger and reporting in the financial report); (b) the accounting records, specific accounts and other supporting records relating to the flows of information; (c) the financial reporting process used to prepare the financial report, including disclosures; (d) the IT environment relevant to the information system; and (e) how the FGMF communicated significant matters relating to financial reporting internally, to those charged with governance, and to external parties such as ASIC. Paragraph 38(b) of ASA 315 requires documentation of the key elements of the understanding obtained, the sources of	**ASA 315** **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	A reasonable and prudent auditor ought to have: (a) obtained the FGMF's policies and procedures documenting the flows of transactions relevant to the financial report (or, where not documented, performed enquiries with management and observed how transactions were processed); (b) documented the key information systems (Xero, Excel and any others), how data flowed between them, and the controls over data integrity, journal entries and financial report preparation; (c) documented the FGMF's internal and external processes relating to financial reporting; and (d) reported to management any deficiencies identified, and reflected those deficiencies in the audit plan and the design of further audit procedures.	**ASA 315** **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(b)** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	that information, and the risk assessment procedures performed. None of this documentation exists on the audit file. The IT Applications work program had not been completed or signed off. In the audit file, there was no documentation of the journal entry process, or the controls surrounding journal entries (including non-standard journal entries used to record non-recurring or unusual transactions or adjustments). There are no work program items in the audit file addressing communication processes (internal, with those charged with governance, and with external parties including regulatory authorities).			
6.	There is no evidence in the audit file to suggest that the auditors completed or signed off on a business process work program. In relation to the Control Report, the auditors: (a) documented one control, being the following: "*Competent team: Both Mandy and Martin have extensive knowledge of the product and knowledge about the industry*"; and (b) recorded that a walkthrough was designed and implemented. However, the audit file contains no evidence to suggest that any control was assessed against each financial statement line item. In relation to obtaining an understanding of control activities as required by ASA 315, there is no evidence in the audit file to suggest that the auditors: (a) completed their control activities component work program; (b) identified controls addressing the significant risks (valuation of financial assets, unit pricing, revenue recognition, compliance with regulatory requirements);	**<u>ASA 315</u>** **Paragraph 26(d)(ii)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(c)** Documentation	A reasonable and prudent auditor ought to have: (a) identified the controls that the FGMF had in place that addressed each significant risk identified, including controls over the valuation of financial assets, unit pricing and revenue recognition; (b) identified controls over journal entries (including non-standard journal entries used to record non-recurring or unusual transactions); (c) identified the IT applications relevant to financial reporting and the general IT controls addressing the risks arising from their use; (d) for each control identified, evaluated whether it was designed effectively to address the assertion-level risk, and performed procedures in addition to enquiry (e.g. observation, inspection of documentation, walkthroughs) to determine whether the control had been implemented; and (e) documented the evaluation and determination in accordance with ASA 315 p.38(c).	**<u>ASA 315</u>** **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 38(c)** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(c) identified or evaluated controls over journal entries (including non-standard journal entries); (d) identified the IT applications and aspects of the IT environment subject to risks arising from the use of IT; (e) evaluated whether controls were designed effectively, or they had performed procedures additional to enquiry to determine whether controls had been implemented. ASA 315 p.38(c) requires documentation of the evaluation of the design of identified controls, and the determination of whether such controls had been implemented. This documentation is absent from the audit file.			
7.	The audit file shows that the auditors' identification and assessment of risks of material misstatement was incomplete and did not comply with ASA 315 p.28, 29, 31 or 32. Specifically, the audit file shows: (a) Net Assets Attributable to Unitholders, Revenue and Expenses were not assessed at the assertion level despite being material balances. (b) ASA 315 requires documentation of the identified and assessed risks of material misstatement at the assertion level for account balances, including significant risks, and the rationale for the significant judgements made. This documentation was not present in the audit file.	<u>**ASA 315**</u> **Paragraphs 28, 29, 31 and 32** Identifying and Assessing the Risks of Material Misstatement **Paragraph 38(d)** Documentation	A reasonable and prudent auditor ought to have: (a) for each material account, class of transaction and disclosure identified in the Risk Assessment Report, evaluated whether a risk of material misstatement existed and, if so, identified and documented the specific assertion(s) affected (i.e. existence, valuation, completeness), and the rationale for why these were selected; (b) for net assets attributable to unitholders and expenses, performed and documented an assertion-level risk assessment; and (c) designed audit procedures specifically responsive to each identified assertion-level risk.	<u>**ASA 315**</u> **Paragraphs 28, 29, 31 and 32** Identifying and Assessing the Risks of Material Misstatement **Paragraph 38(d)** Documentation
8.	The auditors' audit planning memorandum sets out determination of materiality as follows: • overall materiality: $2,708,741 (0.5% of Total Assets); • performance materiality: $2,031,556 (75% of Overall Materiality); • clearly trivial: $135,437 (5% of Overall Materiality). The only documented rationale in the audit file for the above amounts is recorded in a materiality workpaper: "*This is an asset rich entity therefore basis is considered appropriate* [sic]".	<u>**ASA 320**</u> **Paragraphs 10 and 11** Determining Materiality and Performance Materiality When Planning the Audit **Paragraph 14** Documentation	A reasonable and prudent auditor ought to have: (a) identified the users of the financial report and selected a benchmark consistent with their primary focus; (b) documented the qualitative and quantitative factors considered in selecting both the benchmark and the percentage; (c) set performance materiality with reference to the assessed risk of material misstatement, prior period misstatements, and the auditor's expectation of misstatements, and	<u>**ASA 320**</u> **Paragraphs 10 and 11** Determining Materiality and Performance Materiality When Planning the Audit **Paragraph 14** Documentation

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	The audit file shows the auditors have not complied with paragraph 41 of ASA 230 in the following respects: (a) Whilst the comment "*asset rich entity*" provides limited support for the choice of total assets as the benchmark, there is no documentation in the audit file as to the factors considered in selecting 0.5% as the percentage applied. (b) There is no documentation in the audit file as to the factors considered in setting performance materiality at 75% of overall materiality. ASA 320 p.A14 requires the auditor's determination of performance materiality to take into account the auditor's understanding of the entity, the nature and extent of misstatements identified in prior audits, and the auditor's expectation of misstatements in the current period. (c) The materiality work program in CaseWare (2-300 Materiality) has not been completed, meaning the auditors' required documentation of materiality has not occurred in the standard work program location.		documented the percentage applied and the rationale; (d) considered whether specific materiality was required for particular classes of transactions, account balances or disclosures, in particular for a registered managed investment scheme with multiple classes (such as the FGMF); and (e) completed the CaseWare materiality work program contemporaneously with the planning memorandum, to ensure consistent documentation across the audit file.	**Paragraph A2** Materiality in the Context of an Audit **Paragraph A3- A8, A10, A12 and A13** Determining Materiality and Performance Materiality When Planning the Audit
B.	**Audit procedures planned and performed were not adequate and in breach of auditing standards**			
B1.	***Audit procedures planned and performed for income***			
9.	In their Risk Assessment document, the auditors identified revenue as a significant risk in relation to existence, accuracy and valuation. The audit file shows the auditors did not subsequently design or perform audit procedures to address the identified risk.	**<u>ASA 330</u>** **Paragraph 6** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor ought to have designed and performed audit procedures whose nature, timing and extent were responsive to the assessed risks.	**<u>ASA 330</u>** **Paragraph 6** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level
10.	ASA 240 requires auditors to: (a) presume that there is a risk of fraud in revenue recognition and, if a fraud risk is not applicable, the rebuttal of this presumption is required to be documented; and (b) perform procedures to address risk of fraud in revenue risk.	**<u>ASA 240</u>** **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud	Fraud in revenue recognition ought to have been identified as a risk at planning. If the risk assessment had changed (i.e. the auditor believed the risk was not material when they started performing procedures), the auditor would be required to document this change in risk assessment. Unless a change in approach was	**<u>ASA 240</u>** **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	There is no evidence in the audit file to suggest that the auditors identified a fraud risk relating to revenue recognition, or that they recorded any reasoning as to why such a risk was not identified.	**Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud	documented, the planned procedures should have been performed.	**Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **<u>ASA 300</u>** **Paragraph 11** Documentation
11.	The Overall Audit Strategy Work Program did not include any documented planned audit procedures.	**<u>ASA 330</u>** **Paragraphs 6, 18** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 28** Audit documentation	A reasonable and prudent auditor ought to have designed and performed audit procedures whose nature, timing and extent were responsive to any assessed risks.	**<u>ASA 330</u>** **Paragraph 6** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level
12.	The revenue audit workpaper indicates that the revenue in the trial balance (being the FGMF's accounting software listing of balances) was agreed to the draft financial statements. Agreeing a trial balance to draft financial statements is a reconciliation exercise and not a substantive procedure. It is also not sufficient audit evidence on its own to reach a conclusion that the revenue balances in a financial statement are materially correct. There is no evidence in the audit file to suggest that any substantive testing of the revenue balances was performed.	**<u>ASA 330</u>** **Paragraph A5** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	Net gains on financial instruments (such as financial statements) are a '*net*' balance and therefore could consist of gains and losses being offset. A reasonable and prudent auditor ought to have examined the breakdown of the '*net*' balances, and linked unrealised gains/(losses) to the movements in the financial assets on the balance sheet. They also ought to have obtained an understanding of which financial assets the realised gains/(losses) were from.	**<u>ASA 330</u>** **Paragraphs 6, 18** Audit Procedures Response to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
13.	The revenue audit workpaper indicates that the accounting policy applied by the FGMF in respect of each revenue type was documented. However, there was no documentation in	**<u>ASA 500</u>** **Paragraph 6**	An assessment of whether the FGMF's accounting policies were in accordance with	**<u>ASA 230</u>** **Paragraph 8b**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	the audit file as to whether the accounting policies stated were actually appropriate under the AASB standards.	Sufficient Appropriate Audit Evidence **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	accounting standards should have been performed.	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control
14.	The revenue audit workpaper records the following conclusion: "*Based on our review of the revenue recognition policy and supporting documentation, the fund has recognized revenue appropriately in compliance with AASB 15*." AASB 15 Contracts with Customers is the incorrect accounting standard. Interest Income and gains on financial instruments are accounted for in accordance with AASB 9 Financial Instruments.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	An assessment of whether management's accounting policies were (a) in accordance with accounting standards and (b) actually being applied in practice, should have been performed.	**ASA 230** **Paragraph 8b** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
15.	The auditors' revenue workpaper agreed the balance labelled "*Distribution and other income*" in the FGMF's financial statements to an amount labelled in the FGMF's accounting records as "*interest income*". The auditors did not document in the audit file any understanding as to the discrepancy of the names of the balances being agreed. In the event the balance labelled "*distribution and other income"* in fact recorded interest income, there is also no evidence in the audit file to demonstrate investigation of the source of any such interest income. This is particularly relevant given the FGMF did not have investment assets that typically derived interest income. The FGMF's assets were all investments in unlisted managed investment schemes, which do not generate interest income (rather, they typically generate distribution income or fair value gains/losses).	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	Under Australian Accounting Standards (AASB 9 Financial Instruments), interest income is usually derived from assets such as cash or loans receivable. Financial assets that are investments in unlisted managed investment schemes, such as the assets of the FGMF, do not generate interest income. Given that the FGMF had minimal cash balances and no loans receivable, a reasonable, prudent auditor ought to have investigated the source of any interest income.	**ASA 200** **Paragraph 15, A21** Professional Scepticism **ASA 315** **Paragraph 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
16.	At 30 June 2024, the FGMF had recorded in its audited financial statements: • $541 million of assets; and • total income of $28,123,617. The income from investments was low compared to the value of assets. The audit documentation did not demonstrate an understanding of which assets derived the $35 million of unrealised gains, and $8 million of realised losses, and whether the returns were appropriate based on the assets.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 315** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework	A reasonable and prudent auditor ought to have obtained an understanding as to why returns were low in comparison with the income of the FGMF for FY23 and why only $905,000 was distributable to unitholders, and ought to have assessed the explanation provided (if any).	**ASA 200** **Paragraphs 15 and A21** Professional Scepticism **ASA 315** **Paragraph A27** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	Additionally, only $905,000 of income was distributable. This is a low amount compared to an asset balance of $541 million. Similarly to the above, the audit documentation did not demonstrate any investigation, or recorded understanding, as to this fact.	and the Entity's System of Internal Control **Paragraph A27** Risk Assessment Procedures and Related Activities		**<u>ASA 500</u>** **Paragraph A25** Sufficient Appropriate Audit Evidence
B2. Audit procedures planned and performed for expenses				
17.	There is no evidence in the audit file to suggest that the auditors considered whether expenses were complete for the financial year. A fund of the nature and size of the FGMF typically would incur responsible entity fees and investment management fees (among others). Whilst the immaterial balance may be appropriate, the audit file shows the auditors did not consider and did not sufficiently demonstrate why audit fees were the only relevant expense.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework	A reasonable and prudent auditor ought to have designed and performed testing to address the risk of completeness. This would usually include consideration of typical expenses for an investment fund and why no such expenses exist such as responsible entity fees; investment manager fees; tax advisor fees.	**<u>ASA 315</u>** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level		**Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to Be Used as Audit Evidence
18.	There is no evidence in the audit file to suggest that testing was undertaken as to unrecorded liabilities (i.e. the auditors did not verify whether amounts paid after 30 June were in fact payments that ought to have been recorded before 30 June 2024).	**<u>ASA 315</u>** **Paragraph 6** Key Concepts in this ASA **Paragraph 12** Definitions **<u>ASA 330</u>** **Paragraphs 6 and 18** Report **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence	A reasonable and prudent auditor ought to have designed and performed testing. This would usually include unrecorded liability testing (selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2024).	**<u>ASA 315</u>** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence
B3. Audit procedures planned and performed for distributions to unitholders				
19.	The FGMF had $400 million of assets as at 30 June 2023. However, the amount recorded by way of distributions to unitholders was negative, being ($905,926). The distribution to unitholders seems, prima facie, low both objectively and in comparison to the value of assets. There is no evidence in the audit file to suggest that the auditors obtained an understanding of why distributions to unitholders were low/negative.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 315</u>** **Paragraph 14** Risk Assessment Procedures and Related Activities **Paragraphs 25 and 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the	A reasonable and prudent auditor ought to have: (a) performed analytical procedures over distributions to identify any unusual movements/balances in distributions paid, obtained an understanding and performed inquiries regarding any unusual movements/balances; (b) obtained an understanding of the distribution mechanism (i.e. how distributable income was determined, and the frequency of payment to unitholders); (c) recalculated the distributions for the period and reconciled them to the balance recorded; (d) agreed distribution amounts to investor registry reports or unit holdings at the reporting date and ensured distribution allocation was based on the correct unit balances; (e) for a sample of distributions made, agreed the amount was actually paid to the bank statement, and ensured the payment was made to a valid investor and was recorded in the correct period; and	**<u>ASA 200</u>** **Paragraphs 15 and A21** Professional Scepticism **<u>ASA 315</u>** **Paragraph 14** Risk Assessment Procedures and Related Activities **Paragraphs 19 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence	(f) unrecorded liability testing (i.e. selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2024) ought to have been undertaken to determine whether a distribution payable ought to have been recognised at the balance date.	**<u>ASA 330</u>** **Paragraphs 6 and 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **Paragraph A25** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing
B4. Audit procedures planned and performed for financial assets				
B4.1 Audit procedures planned and performed for the FG Australian Development Fund (FG ADF)				
20.	There is no evidence in the audit file to suggest that the auditors undertook any assessment as to whether the valuation policy of the FG ADF complied with the FGMF's valuation policy, and whether the policy was appropriate.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value. Subsequently, they ought to have performed specific procedures to validate the	**<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Response to the Assessed Risks of Material Misstatement	valuation and the methodology applied to the FG ADF.	**Paragraph 10** Effective Date **Paragraph 13** Risk Assessment Procedures and Related Activities
21.	The audit file shows the Net Assets of the FG ADF were assumed to represent fair value. The Net Assets of an unaudited, illiquid fund (such as the FG ADF) do not automatically represent Fair Value and need to be assessed.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13**	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG ADF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 10** Effective Date

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities **Paragraph 18** Responses to the Assessed Risks of Material Misstatement		
22.	A material variance of $12 million was noted as being related to a revaluation at the FGMF level, but the audit file shows it was not tested or investigated. The variance was also not raised in any audit documents as an error or a misstatement.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 450</u>** **Paragraph 5** Accumulation of Identified Misstatements **<u>ASA 500</u>** **Paragraphs 6 and 9** Sufficient Appropriate Audit Evidence	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of its fair value, the $12 million variance ought to have been investigated further to determine the cause of the variance, why the FGMF recorded a higher value and what evidence the FGMF could provide to support how this higher value was appropriate. This additional information would then be verified and assessed against AASB 13 Fair Value.	**<u>ASA 500</u>** **Paragraphs 6 and 9** Sufficient Appropriate Audit Evidence
23.	There is no evidence in the audit file to suggest the auditors independently validated whether the FGMF in fact held 100% of the units in the FG ADF.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG ADF to ascertain whether the FGMF held 100% of the units. A sample of unitholding movements (if applicable) ought to have been tested.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
24.	The audit file shows only four of the FG ADF's assets were selected for testing, being: • An asset titled '*Receivable - Asia Pacific Property*' valued at $94,000,000; • $28,405,387 investment in '*175 Burnley St Project*'; • $11,297,764 investment in '*Pivotal Pastoral Co Pty Ltd*';	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained	On the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of the FG ADF, a reasonable and prudent auditor would: (a) in the absence of an audited set of financial statements, undertake audit procedures on the balance sheet and profit or loss of the	**<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• Interest receivable from the First Guardian Global Income Fund valued at $10,451,845; and • An interfund loan to the First Guardian Global Equity Fund, valued at $7,027,868. The audit file shows: • four other assets, totalling in value of $9.6 million, were not tested; • one of the FG ADF's liabilities, being interest payable to the FG Global Equity Fund valued at $6,723,619, was tested; • '*Other liabilities*' of $222,457 were not tested. Assuming that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of the fund, the audit file shows the following inadequacies exist: (a) The FG ADF is an unaudited fund. Therefore, the auditors would need to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale as to why the three assets and one liability (referred to above) were selected for testing. $20.2 million of assets were not tested, which is material to the net assets. (b) The FG ADF's statement of profit or loss was not included in the workpaper. To appropriately test the net asset value of the FG ADF, the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Australian Development Class (accessible via the previous year (FY23) Caseware audit file) notes that all management and performance fees were paid out of the underlying fund (being the FG ADF). The balance sheet alone did not demonstrate whether all management and performance fees had been correctly	**<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	FG ADF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, select two additional investments (being the investment in the Stone Investment Trust, and the receivable relating to the '*Joyner Project*') given they were either individually above the materiality threshold, or ought to have been selected to ensure sufficient assets were being tested to form a conclusion as to the net assets of the FG ADF; (c) for each asset and liability selected, obtain an understanding of the valuation method and assess whether they were being measured at a value that reflected fair value (if they were not, then the FG ADF's net asset value would unlikely be an appropriate fair value); (d) review the profit or loss statements of the FG ADF and assess whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees were being paid and/or accrued, whether this was consistent with the Product Disclosure Statement and were there any fees missing that should be considered).	Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	accounted for and, where applicable, accrued as a liability.			
25.	In relation to the FG ADF's asset titled '*Receivable - Asia Pacific Property*' valued at $94 million, the audit file shows the work performed by the auditors was limited to the following comment made in the workpaper for the FG ADF: "*We have reviewed the units purchase agreement, for the sale of the investment held in Chiodo Diversified Property Fund signed by both parties.*" The audit file shows the following inadequacies: (a) no documentation was obtained or prepared demonstrating an understanding of the nature and purpose of the transaction; (b) no consideration was given to whether the closing of the transaction occurred and, consequently, whether the units held in the Chiodo Diversified Property Fund (**CDPF**) ought to have been derecognised (and the receivable balance recognised); (c) no testing was undertaken as to the derecognition of units in the CDPF; (d) no evidence exists in the audit file to suggest that the face value of the receivable balance was challenged by the auditors - given the Units Purchase Agreement included a prepayment mechanism, the auditors ought to have, at minimum, assessed whether a financing component of the receivable existed; and (e) no consideration was given to the recoverability of the receivable balance.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraphs 19, 20 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraphs 6 and 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor would have: (a) obtained an understanding of the transaction, and why the FGMF believed that units invested in the CDPF warranted derecognition; (b) treated the transaction as a significant unusual transaction, and therefore applied increased professional Scepticism; (c) obtained evidence that closing of the transaction in fact occurred (e.g. inspected the executed unit assignment delivered at closing, sighted evidence of the initial instalment paid in the bank statement, performed procedures to determine if conditions precedent were satisfied); (d) obtained an external confirmation from Asia Pacific Property to confirm the amount outstanding; and (e) considered whether expected credit loss allowance would be required and whether the receivable ought to have been measured at face value or another amount under AASB 9 given the deferred payment terms and discount feature.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 315** **Paragraphs 19 and 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 505** **Paragraph 7** External Confirmation Procedures **Paragraphs 8 and 9** Management's Refusal to Allow the

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>ASA 505</u> **Paragraph 7** External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Responses to the Assessed Risks of Material Misstatement		Auditor to Send a Confirmation Request **Paragraphs 10 -13** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard
26.	In relation to the FG ADF's investment of $28,405,387 in '*175 Burnley St Project*', the audit file shows: (a) the financial statements utilised as supporting evidence were unaudited and therefore not a reliable source of information; (b) the financial statements are dated as having been prepared in FY22. This was not further examined in circumstances where there had been an increase of over $8 million in the loan value between FY22 and FY24 and, separately, a $19 million revaluation in FY23 and FY24 was documented, which was not tested further either; (c) there are inconsistencies within the audit workpaper relating to whether the FG ADF gave 175 Burnley Street a loan of $27 million, or whether the entire amount is an equity investment. There is no evidence in the audit file of this being investigated further; (d) the audit workpaper also notes that the FY22 statements for 175 Burnley St record a "*shareholder*	**<u>ASA 315</u>** **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7- 9**	A reasonable and prudent auditor ought to have: (a) performed a company search as at 30 June 2024 to reconfirm if the FG ADF remained the 100% shareholder of the investment entity; (b) on the basis of the company search, identified the investment entity as being a related party of the FGMF, due to Mr David Anderson being a director; (c) obtained an understanding of whether the FG ADF was providing equity funding only, a loan, or a combination of the two; (d) obtained an understanding of the nature of the investment entity and what it was investing in; (e) assuming the investment was 100% equity, requested that the FGMF provide an independent valuation of the entity to support	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6**

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	account - liability" line item in "*liabilities*" equivalent to the investment amount, implying that the investment may be a loan - this is inconsistent with the FG ADF recording the amount as an equity investment, and was not investigated further by the auditors; (e) the unaudited financial statements refer to "*shareholder accounts*" which are classified as a liability. This mistake was not corrected; (f) no verification was undertaken as to whether the FG ADF still owned 100% of the equity in 175 Burnley Street at 30 June 2024. If the FG ADF did not remain the 100% owner as at that date, then the portion of the valuation of this entity that the FG ADF should have been recognising on their balance sheet ought to have been reduced; (g) review of the unaudited financial statements of the entity shows the following items should have been considered by the auditors: • the entity is loss making ($2.7 million loss for June 2023); • the entity is net asset deficient ($7.8 million); • there is no information about whether the assets could be validated or supported by an external valuation; and • no updated FY24 financial statements existed; (h) no analysis was undertaken to understand what the investment in fact was, and how it would derive a return for the FG ADF; (i) no independent review was undertaken as to the expert valuation provided by the FGMF; (j) recalculation of the realisable profit on exit and approximate costs, showing an expected profit of $22-25 million, was based on a valuation report which was hypothetical given the project had not yet commenced; (k) no work was undertaken regarding the revaluations of the project which had occurred during FY23 and FY24 by the FGMF;	Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 600</u>** **Paragraph 6** Scope of this Auditing Standard **Paragraph 9** Definitions	the valuation recorded in the FG ADF's financial statements; (f) performed required procedures on any independent valuation report (review of valuation expert, valuation methodology, timing, assumptions etc); (g) challenged the FGMF on how the valuation of $28 million incorporated that the entity was loss making and had negative net assets (i.e. did not have sufficient assets); (h) obtained evidence of the asset that was actually acquired by 175 Burnley Pty Ltd; (i) performed testing over the inputs used in the valuation method; and (j) undertaken an independent assessment of the expert valuation report provided by the FGMF.	Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 10** Selecting Items for Testing to Obtain Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(l) no work was conducted on the revaluations performed in the year – there is merely a statement that: "*In 2024, in addition to the revaluation that happened in 2023, furthermore upliftment was done to the extent of $6.3 million and there was a reversal of $11.2 million happened, which resulted in a reduction of the revaluation from $11.7 million to $6.77 million*"; (m) no work or assessment was undertaken in respect of the sale agreement, or the nomination agreement referenced in the workpaper relating back to the original purchase of the property located at 175 Burnley St in 2021 and the novation to 175 Burnley St Pty Ltd. It is unclear what this information was being used for in relation to the 30 June 2024 balance and no explanation is provided in the FY24 workpaper; (n) the officer of the company in the 30 June 2022 unaudited financials and in the income tax return on the file, Mr David Anderson, is a director of the FGMF's responsible entity. This is therefore a related party transaction, but there is no evidence in the audit file that this was considered further; (o) no work on the deed of variation dated 21 May 2024 which varies the debt held by 175 Burnley Street Pty Ltd and owed to Pallas Funds Pty Ltd (external funder) extending the maturity date of that debt. This document states that Mr David Anderson and Mr Simon Selimaj (both directors of the FGMF's responsible entity) were grantors of the loan. There is no evidence in the audit file that the details and implications of this deed of variation have been considered; (p) there was a review of a valuation report performed by M3 property as at 10 February 2023: • the valuation adopted was based on a "*Hypothetical 'As if complete' (Fully Leased)"* value which assumed that (a) the development was completed and (b) it was fully leased to tenants. This hypothetical "*As if complete*"			Identifying and Assessing the Risks of Material Misstatement

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	valuation referenced by the auditors was $115 million; • The valuation report also included an "*As is (Direct Comparison)*" valuation of $20 million, which represents the fair value as at the date of the valuation based on the property's current condition (an undeveloped piece of land); • it was inappropriate to reference an "*As if complete*" hypothetical valuation in assessing the fair value of this property as at 30 June 2024 given no development had been commenced.			
27.	In relation to the FG ADF's investment in '*Pivotal Pastoral Co Pty Ltd*' of $1,297,764, which was held by way of holding shares in Australian Food & Farming Holdings Pty Ltd (**AFFF**), the audit file shows the following: (a) there is no documentation in the audit file demonstrating an understanding of the purpose of the investment or the assets held by AFFF; (b) while the financial statements recorded a loan to "*Pivotal Pastoral Co Pty Ltd*", the entity in which shares were held was in fact Australian Food & Farming Holdings Pty Ltd (**AFFF**). There was no documentation in the audit file which recorded an explanation as to this discrepancy; (c) the share certificate was signed by Mr David Anderson (director of the FGMF's responsible entity), but there is no consideration in the audit file as to the investment being a related party transaction, or whether the share certificate was internally generated; and (d) the valuation of the company was based on an email provided by the director of Australian Food & Farming Holdings Pty Ltd. The audit file contains no work as to validating the amounts set out in that email.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 8** Information to be Used as Audit Evidence **<u>ASA 540</u>**	A reasonable and prudent auditor ought to have: (a) requested clarification as to the discrepancy between the entity name recorded in the financial statements (Pivotal Pastoral Co Pty Ltd) and the entity in which shares were in fact held (AFFF); (b) verified the ownership percentage in AFFF through an independent confirmation sent to AFFF; (c) obtained an understanding of the nature of AFFF; (d) requested the FGMF to provide an independent valuation of AFFF as at 30 June 2024; (e) assessed the appropriateness of the valuation expert used by the FGMF for matters such as competence and objectivity; (f) reviewed the valuation and assessed whether the valuation methodology, date of valuation and any key assumptions were appropriate and if any further procedures were warranted (such as engaging an audit expert, or performing procedures on any data or assumptions provided to the valuer that could have been manipulated by management).	**<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 500</u>** **Paragraph 8** Information to Be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 7** External Confirmation Procedures **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 13 Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 550</u>** **Paragraph 9(b)** Objectives **Paragraph 15** Risk Assessment Procedures and Related Activities **Paragraph 22** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Risk Assessment Procedures and Related Activities **<u>ASA 620</u>** **Paragraph 8** Nature, Timing and Extent of Audit Procedures
28.	In relation to the interest receivable by the FG ADF from the First Guardian Global Income Fund (**FG GIF**) of $10,451,845, the audit file shows: (a) no investigation was undertaken regarding the fact that the intergroup transfer agreement (by virtue of which the receivable arose) was dated July 2024 (i.e. after FY24 had completed); (b) there was no work done to independently recalculate the interest amount owed; and (c) there is no documentation in the audit file recording the purpose of the interest receivable (e.g. whether it was interest in relation to a loan as there is no loan receivable from the FG GIF in the balance sheet).	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the	A reasonable and prudent auditor ought to have: (a) identified and assessed whether the interest rate was at arm's length, given both the FG ADF and the FG GIF are underlying funds of the FGMF and are therefore related parties; (b) identified the loans / other obligations to which the receivable related; and (c) performed a recalculation of the interest amount to assess whether it reflected the fair value of the receivable.	**<u>ASA 315</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 550</u>** **Paragraph 15** Risk Assessment Procedures and Related Activities **Paragraph 22** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph A25** Risk Assessment Procedures and Related Activities		Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 550</u>** **Paragraph 9(b)** Objectives **Paragraphs 18 and 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 500</u>** **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence
29.	In relation to the "Inter fund loan" (of $7,027,868) from the FG ADF to the FG Global Equity Fund (**FG GEF**), the audit file discloses the following: (a) there was a $10 million difference between the balance in the FG ADF and the FG GEF which the auditors documented as follows: ''*The difference of AUD 10.84 million ties to the Loan to GEI general ledger in the books of FG ADF. The reconciliation is supported by a manual journal posting provided by the client*''. This explanation does not adequately explain or validate how the auditors obtained sufficient audit evidence over the $10m variance. (b) the FG GEF is one of FGMF's other direct investments. It is a related party as it is managed and operated by the FGMF's responsible entity, but the audit file shows this has not been considered; (c) there is no documentation in the audit file as to why the FG ADF is lending funds to the FG GEF; (d) there is no documentation or consideration in the audit file as to: • whether this $7m represents fair value; • what interest rate is being paid on this loan; • whether it is an arm's length interest rate; • whether there is a loan agreement in place; whether there has been a recalculation of the interest amounts due.	**<u>ASA 240</u>** **Paragraph 23** Risk Assessment Procedures and Related Activities **Paragraph A11** Discussion among the Engagement Team **<u>ASA 315</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the	A reasonable and prudent auditor ought to have: (a) assessed the contract between the FG ADF and the FG GEF and its terms and conditions; (b) assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value and performed specific procedures to validate the valuation and the methodology applied; (c) on the assumption that the net assets of the FG ADF were determined to be an appropriate approximation of the fair value of the FG ADF, the $10.84 million variance would have been investigated further to determine the cause of the variance, why the FGMF recorded a higher value and what evidence management could provide to support how this higher value was appropriate. This additional information would then be verified and assessed against AASB 13 Fair Value; (d) assessed if there was interest being calculated on the loan and if this was at arm's length.	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 550</u>** **Paragraphs 3-5** Responsibilities of the Auditor

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 550</u>** **Paragraphs 3-5** Responsibilities of the Auditor **Paragraph 9(b)** Objectives **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraphs 13 and 15** Risk Assessment Procedures and Related Activities		**Paragraph 9(b)** Objectives **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

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Auditing standard breached (Standard, paragraph number, topic area)</th><th>IV
Steps of a reasonable and prudent auditor</th><th>V
Auditing standard relevant to reasonable steps</th></tr>
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Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

Paragraph 25
Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions</td><td></td><td></td></tr>
<tr><td>30.</td><td>The FG GEF is a direct investment of the FGMF and was therefore a related party of the FG ADF. In that context, in relation to the interest payable by the FG ADF to the FG GEF (of $6,723,619), the audit file shows no consideration was given to:
(a) whether this $6.7m figure represents fair value;
(b) what interest rate was being paid on the loan;
(c) whether it was an arm’s length interest rate; and
(d) whether there was a loan agreement in place.

The audit workpaper also records the following explanation as to how the FG ADF recorded interest payable to the FG GEF given FG ADF had a loan receivable of $7 million from the FG GEF (see row 29 above):
"ADF has advanced a loan to GEF, which is asset to ADF, but it carries an interest payable to GEF.
The client explained that Pan Asia Fund (PAF), Private Equity Fund (PEF), and Absolute Equity Fund (AEF) were consolidated into GEF. Before the consolidation, ADF was required to pay interest to PAF, which is now part of GEF.
The interest on the loan from ADF to GEF offsets and reduces the interest ADF was required to pay to PAF."</td><td><u>ASA 200</u>
Paragraph 15
Professional Scepticism

<u>ASA 250</u>
Paragraphs 13 and 14
The Auditor's Consideration of Compliance with Laws and Regulations

<u>ASA 330</u>
Paragraph 18
Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

<u>ASA 500</u>
Paragraph 6
Sufficient Appropriate Audit Evidence</td><td>A reasonable and prudent auditor ought to have: obtained an understanding of the various loan agreements and arrangements, and interest calculations being offset (including by obtaining copies of all relevant loan agreements);
(a) assessed whether offsetting arrangements as explained by the FGMF were appropriate under relevant accounting standards;
(b) obtained an understanding of why the loan was provided, given it is a related party transaction;
(c) verified that interest was being offset against the loan balance based on the agreed rate in the agreement; and
(d) assessed whether the interest rate was a market rate and, therefore, whether the loan balance met the requirements of fair value under the relevant accounting standards.</td><td><u>ASA 315</u>
Paragraph 19(a)
Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control

<u>ASA 500</u>
Paragraph 6
Sufficient Appropriate Audit Evidence

Paragraph 7
Information to be Used as Audit Evidence

<u>ASA 540</u></td></tr>
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I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	There is no evidence in the audit file to suggest that: (a) there was any verification or validation of the above explanation; or (b) consideration was given to whether the apparent offsetting of the loans and interest within this one balance was appropriate from an accounting perspective.	**Paragraph 7** Information to be Used as Audit Evidence **Paragraph A14** Sufficient Appropriate Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		**Paragraph 8** Key Concepts of this Accounting Standard **ASA 550** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
B4.2 Audit procedures planned and performed for the FG Global Income Fund (FG GIF)				
31.	The audit file shows that the net assets of the FG GIF were assumed to represent fair value. The net assets of an unaudited, illiquid fund (like the FG GIF) do not automatically represent fair value, and need to be assessed independently.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG GIF - for example, whether the valuation was internal or externally obtained,	**ASA 540** **Paragraphs 8 and 10**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Performed and Audit Evidence Obtained **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Responses to the Assessed Risks of Material Misstatement	the method of valuation, and what level of estimation and judgement was involved.	Key Concepts of this Accounting Standard
32.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG GIF complied with the FGMF valuation policy, and whether the policy was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 540** **Paragraph 13**	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value, and subsequently performed specific procedures to validate the valuation and the methodology applied to the FG GIF.	**ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities **Paragraph 18** Responses to the Assessed Risks of Material Misstatement		
33.	The audit file shows there was a material variance of $12 million in the value of the FG GIF's net assets, noted as being related to a revaluation at the FGMF level, which was not tested or investigated. The variance was also not raised in any audit documents as an error or a misstatement.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 450</u>** **Paragraph 8** Communication and Correction **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence	On the assumption that the net assets of the FG GIF were determined to be an appropriate approximation of its fair value, a reasonable and prudent auditor ought to have investigated the $12 million variance further to determine the cause of the variance, why the FGMF recorded a higher value, and what evidence the FGMF could provide to support how this higher value was appropriate. This additional information would then be verified and assessed against AASB 13 Fair Value.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence
34.	The FGMF's ownership percentage in the FG GIF increased from 94.48% as at 30 June 2023 to 100% as at 30 June 2024. The audit file shows the auditors did not independently validate this unitholding change, or whether the FGMF in fact held 100% of the units in the FG GIF as at 30 June 2024.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have obtained the unitholding register of the FG GIF to ascertain whether the FGMF held 100% of its units. A sample of unitholding movements, given the increase in unitholding from 94.48% as at 30 June 2023 to 100% as at 30 June 2024, ought to have been tested.	**<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
35.	The audit file shows that: (a) Only 10 of the FG GIF's assets were selected for testing, being:	**<u>ASA 230</u>** **Paragraph 8**	On the assumption that the net assets of the FG GIF were determined to be an appropriate	**<u>ASA 315</u>** **Paragraph 19(a)**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	• $43,933,664 investment in '*MCM*'; • Accounts receivable from Palmer Avenue Capital Pty Ltd totalling $4,552,515; • The $24,743,263 investment in '*BPG*'; • Accounts receivable from '*BPG*' totalling $12,287,458; • The $34,399,500 loan to '*Western Subdivision Trust*'; • Accounts receivable from '*Western Subdivison Trust*' totalling $1,883,139; • $33,648,026 loan to '*Kanun Capital*'; • $28,492,430 loan to '*Fox Friday Group*'; • Accounts receivable from '*Fox Friday Brewing*' totalling $1,262,257; and • $10,897,786 loan to '*Rogue Trader Group*'. (b) Six other assets, with a total value of $19.5 million, were not tested. Note that, based on the FGMF holding 100% of the units in the FG GIF, a $12 million variance in valuation was identified. There is no evidence in the audit file to suggest any procedures were performed to address this variance. (c) Two of the FG GIF's liabilities, being a loan to the FG GEF (valued at $68,651,639) and '*AP - ADC*' (valued at $10,451,845) were tested. '*AP - GEF*' (valued at $1,451,686) and '*Other liabilities*' (of $2,629) were not tested. Assuming that the net assets of the FG GIF were determined to be an appropriate approximation of the fair value of the fund, the audit file shows the following inadequacies: (a) The FG GIF is an unaudited fund. Therefore, the auditors would need to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale as to why the five assets and one liability (referred to above) were	Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **ASA 530** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	approximation of the fair value of the FG GIF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG GIF to gain sufficient evidence that the net assets were materially correct; (b) at a minimum, selected five additional assets, three of which would be selected due to their value being above the materiality threshold, and two of which would be selected due to the quantum to ensure sufficient assets were being tested to form a conclusion as to the net assets of the FG GIF (i.e. to ensure the untested amount was below performance materiality); (c) for each asset selected, obtained and understood the loan agreements, validated the amount lent to the counterparty, and ensured that the loans were accruing interest based on the agreements; (d) requested that the FGMF provide a recoverability assessment for each loan, and provide justification as to how the FGMF was satisfied that the loans would be repaid; (e) validated the recovery assessment through the following: • reviewing due diligence/credit assessments performed for new loans; • identifying the security being obtained (i.e. if the loan was being used for the purchase of property, property details etc.); • obtaining evidence that Falcon Capital as trustee for the FG GIF lodged an interest in the security being taken (i.e. a lodged mortgage document for property);	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	selected for testing. $11.7 million of assets were not tested, which was material to the net assets. (b) The FG GIF's statement of profit or loss was not included in the workpaper. To appropriately test the net asset value of the FG GIF, the FG GIF's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Global Income Class (accessible via the previous year (FY23) Caseware audit file) notes that all management and performance fees were paid out of the underlying fund (being the FG GIF). The balance sheet alone does not demonstrate whether all management and performance fees were correctly accounted for and, where applicable, accrued as a liability.		• obtaining a copy of the external valuations on the underlying security - and, where the valuation of the security was likely to have changed from the previous valuation date (i.e. for a property development), obtaining updated valuations or other third-party information to support recoverability; (f) assessed whether, based on the recoverability assessment and the interest rate being charged, the loans reflected fair value under accounting standards (if they did not, then the FG GIF net asset value would unlikely be an appropriate fair value); (g) reviewed the profit or loss statements of the FG GIF and assessed whether there were any items that may indicate inaccurate or incomplete asset and liability balances that may require further investigation (i.e. what fees were being paid and/or accrued, was this consistent with the Product Disclosure Statement, and were there any fees missing that should be considered).	Definitions
36.	In relation to the FG GIF's investment of $43,933,664 in Maleo Capital Management (**MCM**), and the corresponding asset recording accounts receivable of $4,552,515 from Palmer Avenue Capital Pty Ltd, the audit file shows: (a) no details were obtained regarding the purpose of the loan or the assets held by the borrower; (b) no reconciliation or testing was undertaken of movements in the loan year on year (i.e., no assessment was undertaken of the valuation of the investment); (c) no recalculation or assessment was undertaken of the interest on the loan, and whether that interest was in fact being accrued; (d) no verification was undertaken to ensure that interest of 7% p.a. was being paid monthly to the FG GIF (and,	<u>**ASA 315**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	A reasonable and prudent auditor ought to have: (a) verified that the FG GIF actually obtained appropriate security when providing the loan, and upon the assignment of the loan to MCM; (b) obtained due diligence details regarding MCM (i.e. the business of MCM, and the purpose of the assignment of the loan); (c) recalculated the interest receivable based on the loan agreement and ensured this was included with the loan balance or had been repaid; (d) validated payments received to bank statements;	<u>**ASA 315**</u> **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	if not, no work was undertaken to add that amount to the loan balance); (e) no consideration was given to the assignment of the loan from Palmer Avenue Capital to Maleo Capital Management; (f) the settlement amount set out in the assignment agreement was $54 million and the amount per the FG GIF trial balance was $48.4m. There was no reconciliation performed as to how these amounts agree; (g) no validation of the additions to the loan during the year was documented - the amount was merely stated. This does not provide evidence that the balance at 30 June 2024 was accurate, existed or was complete; (h) no documented work was undertaken as to the security arrangements for the loan, or how the auditors made themselves comfortable that any such arrangements provided adequate coverage of the loan; (i) no review was undertaken of the facility agreement between the FG GIF and Palmer Avenue Capital dated 25 October 2022 (which also noted settlement amount of $54 million); (j) the assignment agreement was signed by Mr Conrad Leigh Warren (the FGMF's Head of Asian Private Equity), meaning that the assignment of the loan was a related party transaction - however, no required additional consideration was given to this fact; (k) no assessment was undertaken of a letter from MCM to Falcon Capital included in the audit file which outlined that MCM was in arrears of $52 million in relation to this loan (amongst others). This was an impairment indicator that was not addressed in the audit file.	**ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities	(e) validated loan funding to the loan and assignment agreements, loan settlement statements (i.e. from solicitor if used), or a loan confirmation directly with MCM/Palmer Avenue; (f) obtained independent valuations of any security obtained and assessed whether that valuation could be relied upon; and (g) obtained the FGMF's recoverability assessment and requested financial information of MCM and Palmer Avenue.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 505** **Paragraphs 10-11** Results of the External Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 18 Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
37.	In relation to the FG GIF's investment of $24,743,263 in Briix Property Group (**BPG**) (a receivable which was assigned to Maleo Capital Management Pte Ltd (**MCM**) in March 2024 by virtue of a debt assignment agreement included in the audit workpaper) and the corresponding asset recording accounts receivable of $12,287,458 from BPG, the audit file shows: (a) no assessment of a document in the audit file which outlined MCM was in arrears of paying the loan of $52 million owing to Falcon Capital Limited and its related Funds (which included the amounts owing in relation to the BPG investment), which was an impairment indicator and was not addressed within the file; (b) no details of MCM's assets, or its ability to pay the amount agreed under the debt assignment agreement; (c) no reconciliation or testing of movements in the loan year on year, i.e. no assessment of the valuation of the investment; (d) no recalculation or assessment of the interest on the loan – i.e. whether this was being accrued or paid regularly;	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor ought to have: (a) verified that the FG GIF actually obtained appropriate security when providing the loan, and upon the assignment of the loan to MCM; (b) obtained due diligence details regarding MCM (i.e. the business of MCM, and the purpose of the assignment of the loan); (c) recalculated the interest receivable based on the loan agreement and ensured this was included with the loan balance or had been repaid; (d) validated payments received to bank statements; (e) validated loan funding to the loan and assignment agreements, loan settlement statements (i.e. from solicitor if used), or a loan confirmation directly with MCM and BPG; (f) obtained independent valuations of any security obtained and assessed whether that valuation could be relied upon;	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(e) the amount per settlement was $41m in the BPG - Debt Trade Assignment Agreement, but there was no reconciliation to the investment/accounts receivable in the FG books; (f) no validation of the additions to the loan during the year's documentation. The amount was merely stated. This did not provide evidence that the balance at 30 June 2024 was accurate, existed or was complete; (g) no work documented on what the security arrangements were or how the auditors were comfortable that they provided adequate coverage of the loan; (h) the new agreement for MCM was signed by Mr Conrad Leigh Warren (the FGMF's Head of Asian Private Equity). As a result, this was a related party transaction and required additional consideration, but none is documented.	<u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	(g) obtained the FGMF's recoverability assessment and requested financial information of MCM and BPG; and (h) enquired as to how a loan to a related party was appropriate, and investigated whether the loan transaction was on an arm's length basis.	Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities <u>**ASA 550**</u> **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 25 Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
38.	In relation to the FG GIF's loan of $34,399,500 to the Western Subdivisions Trust, and the corresponding asset recording accounts receivable of $1,883,139 from the Western Subdivisions Trust, the audit file shows: (a) a loan balance comparison was undertaken between (i) the balance as recorded in the financial statements of the FG GIF and (ii) the loan amount described in the loan facility agreement. This comparison does not document if any verification was undertaken to confirm whether drawdowns or repayments occurred; (b) the loan balance comparison identified an $8m difference between the FG GIF's balance and the amount stated in the facility agreement. The auditors recorded that $6.9m of this difference was attributable to a loan to a separate entity, '*Tax E2*', which was combined with the Western Subdivisions loan in the trial balance of the FG GIF. However, there was s no work performed to substantiate that this was true; (c) there is no evidence in the audit file that any security position had been verified; (d) interest had been recalculated on the loan, pursuant to which a $1.7m difference was identified. However, there is nothing in the audit file to suggest there was any investigation of this difference; and (e) the work performed, as shown in the audit file, did not substantiate that the loan to Western Subdivisions was recoverable.	<u>**ASA 315**</u> **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence <u>**ASA 540**</u> **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Western Subdivisions and documented key terms including amount of the loan, interest rate, term, repayment schedule, and security/collateral provided; (b) verified that the FG GIF in fact obtained appropriate security when providing the loan; (c) recalculated the interest receivable based on the loan agreement and ensured this was included with the loan balance or had been repaid - any differences identified would be investigated; (d) validated payments received to bank statements; (e) validated loan funding to the loan and assignment agreements, loan settlement statements (i.e. from solicitor if used), or a loan confirmation, sourced directly from Western Subdivisions Trust; (f) obtained independent valuations of any security obtained and assessed whether that valuation could be relied upon; and (g) obtained the FGMF's recoverability assessment and requested financial information of Western Subdivisions Trust.	<u>**ASA 315**</u> **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence <u>**ASA 505**</u> **Paragraphs 10 and 11** Results of the External Confirmation Procedures

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				ASA 540 **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
39.	In relation to the FG GIF's loan of $7,807,207 to the Kanun Capital Unit Trust (**Kanun Capital**), the audit file shows: (a) there is no reference in the audit file to the loan agreement between the Kanun Capital and the FG GIF; (b) there is no documentation in the audit file recording information about the terms of the loan; (c) no reconciliation or testing was undertaken as to the loan amount from the prior financial year; (d) the financials utilised as supporting evidence are unaudited and therefore not a reliable source of information. They are also for 30 June 2021, whereas the audit is being conducted for 30 June 2024; (e) the loan facility agreement referenced and included on the audit file was signed by Mr Paul Chiodo as the director of the borrowing entities. There is no documented consideration in the audit file as to whether he was related to the Chiodo Diversified Property Fund (**CDPF**), an entity in which the FG ADF had also invested for part of FY24. This is of particular importance given the reference to "*Chiodo*" and *"CPF"* noted in the minutes of Board meetings of Falcon Capital Limited dated 4 August 2021 and 1 February 2022 including that "*Chiodo had issued stat demands*"	**ASA 315** **Paragraph 19(a) and 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Kanun Capital, and documented key terms including amount of the loan, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan; (c) recalculated the interest receivable based on the loan agreement and ensured that that amount was included with the loan balance or had been repaid; (d) validated repayments received to bank statements; (e) validated loan funding to the loan agreement and loan settlement statements (i.e. from a solicitor if used), or requested a loan confirmation directly with Kanun Capital; (f) obtained independent valuation on security obtained and assessed whether that valuation could be relied upon; (g) if the security provided was over the loans receivable in the Kanun Capital Unit Trust, validated that the Kanan Capital Unit Trust	**ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 505**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	and "*CPF was restructured due to its dire financial position*"; (f) the loan reconciliation does not document if any verification of the additions or repayments occurred and whether missing interest had been accrued; (g) there was no evidence that any security position had been verified; (h) two facility agreements regarding the Kanun Capital Unit Trust were noted as referencing collateral over property, but there is no documentation in the audit confirming whether this was verified; (i) the 30 June 2021 unaudited financial statements refer to four mortgage loans for four different properties - however, the audit workpaper only includes reference to two such facility agreements; (j) the 30 June 2021 financial statements show no profit or loss transactions - however, the balance sheet includes items such as accrued interest receivable and accrued interest payable. Both of these items should have corresponding interest income and interest expense transactions. This casts doubt over the integrity of the unaudited financial statements; and (k) the work performed, as shown in the audit file, does not substantiate that the loan to the Kanun Capital Unit Trust was recoverable or that there was an understanding of the loan agreement in place.	Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related	held appropriately registered security over the properties they had lent money for, including running title searches and obtaining the valuations on those secured properties; and (h) performed a reconciliation to the prior year balance and tested movements year on year.	**Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
40.	In relation to the FG GIF's loan of $28,492,430 to Fox Friday Brewing Pty Ltd and receivable of $1,262,257 from the Fox Friday Group, the audit file shows: (a) there is no reference to any loan agreement between the FG GIF and Fox Friday Brewing Pty Ltd or any documentation about the terms of the loan having been tested; (b) the financial statements utilised as supporting evidence were unaudited and therefore were not a reliable source of information; (c) there was no reconciliation of the loan balance and movement compared to FY23, and the reconciliation did not document if any verification of the additions ($15.7m) or repayments occurred; (d) the loan facility agreement identified an interest rate of 6%, which was not documented in the audit workpaper; (e) no consideration was given as to whether that interest had been accrued or correctly calculated; (f) there was no evidence that any security position in respect of the loan had been verified; (g) the 30 June 2024 unaudited financial statements of the investment entity show that Fox Friday is in a net liability position of $5.4 million and made a loss of $2.7 million, which ought to have raised doubts regarding the recoverability of the loan. However, there is no evidence in the audit file of this being investigated or considered;	**<u>ASA 315</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence **<u>ASA 540</u>**	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Fox Friday Brewing Pty Ltd and documented key terms including loan amount, interest rate, term, repayment schedule, and security/collateral; (b) verified that the FG GIF obtained appropriate security when providing the loan; (c) recalculated the interest receivable based on the loan agreement and ensured this was included with the loan balance or had been repaid; (d) validated repayments to bank statements; (e) by way of direct engagement with Fox Friday Brewing Pty Ltd, validated loan funding to bank statements, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation; (f) obtained independent valuation on any security obtained, and assessed whether that valuation could be relied upon; (g) agreed and tested the security on the loan; (h) performed a reconciliation to the loan amount in FY23 and tested any movements; (i) obtained the FGMF's recoverability assessment of the loan, and validated the key assumptions used in it;	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7 and 9**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(h) the work performed does not substantiate that the loan to Fox Friday Brewery Pty Ltd was recoverable or that there was an understanding by the auditors of the loan agreement in place; and (i) the auditors identified that the loan balance exceeded the limit under the facility agreement, but the file shows they did not make any further inquiries or undertake any further consideration as to this issue.	**Paragraph 17** Identifying and Assessing the Risks of Material Misstatement	(j) requested from the FGMF financial information of Fox Friday Brewing Pty Ltd; and (k) inquired with the FGMF as to the loan balance exceeding the limit outlined in the facility agreement and, if an amendment/additional agreement was made, reviewed and obtained an understanding of the details of those documents.	Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **<u>ASA 540</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
41.	In relation to the FG GIF's loan of $10,897,786 to Rogue Traders Group Pty Ltd, the audit file shows: (a) no details were obtained regarding the purpose of the loan or the assets of the borrower; (b) no verification was undertaken regarding whether interest of 6% p.a. (as recorded in the facility agreement) was being paid biannually to the FG GIF. If it was not, that amount ought to have been added to the loan balance; (c) no reconciliation was undertaken to the loan balance, movements and repayments since FY23. As a result, evidence was not provided as to the accuracy, completeness or existence of the loan balance as at 30 June 2024; (d) the loan agreement noted an initial drawdown date of 19 November 2020, but the agreement is dated	**<u>ASA 315</u>** **Paragraph 19(a) and 20** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 32** Identifying and Assessing the Risks of Material Misstatement	A reasonable and prudent auditor ought to have: (a) obtained a copy of the loan agreement between the FG GIF and Rogue Traders Group Pty Ltd, and documented key terms including amount of the loan, interest rate, term, repayment schedule, security/collateral; (b) verified that the FG GIF actually obtained appropriate security when providing the loan; (c) obtained due diligence details of Rogue Traders Group Pty Ltd's business, and the purpose of the loan; (d) enquired as to how the FGMF was comfortable that the arrangement was appropriate;	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	September 2021. There is no evidence in the audit file to suggest this was investigated further by the auditors; (e) there is no evidence in the audit file to suggest that any work was done to consider the recoverability of the loan, especially in circumstances where the maturity date was 30 June 2023, and the auditors had identified that the Rogue Trader Group had liquidity issues; (f) the audit file contains no evidence as to what work had been performed to monitor the recoverability of the loan; (g) two directors of Rogue Traders Group Pty Ltd signed the loan agreement, one of whom was Mr David Anderson, who also signed the agreement on behalf of the FG GIF. There is no consideration recorded in the audit file as to this agreement being a related party transaction. There is also no evidence in the audit file that this resulted in any required additional consideration being undertaken by the auditors.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 540** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **ASA 550** **Paragraphs 3-5** Responsibilities of the Auditor **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18**	(e) investigated whether the loan was provided on an arm's length basis; (f) recalculated the interest receivable based on the loan agreement and ensured that the interest was included in the amount of the loan balance, or had been repaid; (g) validated repayments received to bank statements; (h) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with Rogue Traders Group Pty Ltd (note that this confirmation would need to be signed by someone unrelated to Falcon Capital to be relied upon); (i) obtained independent valuation on security obtained and assessed whether the valuation could be relied upon; (j) obtained the FGMF's recoverability assessment and requested financial information of Rogue Traders Group Pty Ltd; and (k) completed a recoverability assessment on the loan, given it would have been past its maturity date.	**Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 505** **Paragraphs 10 -11** Results of the External Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		Identified Related Party Relationships and Transactions
B4.3 Audit procedures planned and performed in relation to the First Guardian Global Equity Fund (FG GEF)				
42.	The audit file shows the net assets of the FG GEF were assumed to represent fair value. The net assets of an unaudited, illiquid fund (like the FG GEF) do not automatically represent fair value, and need to be assessed independently.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related	A reasonable and prudent auditor ought to have understood how the FGMF had determined the valuation of the FG GEF - for example, whether the valuation was internal or externally obtained, the method of valuation, and what level of estimation and judgement was involved.	**<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Party Relationships and Transactions		
43.	The audit file shows the auditors did not undertake any assessment of whether the valuation policy of the FG GEF complied with the FGMF's valuation policy, and whether the policy was appropriate.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 12** Definitions **ASA 540** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	A reasonable and prudent auditor ought to have assessed whether the FGMF's valuation approach was appropriate under AASB 13 Fair Value, and subsequently performed specific procedures to validate the valuation and the methodology applied to the FG GEF.	**ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
44.	The audit file shows a material variance in the valuation of the assets of the FG GEF (of $3.5 million), which was noted in the audit workpapers as arising due to a revaluation at the FGMF level. There is nothing in the audit file to suggest this variance was tested or investigated by the auditors.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements	On the assumption that the net assets of the FG GEF were determined to be an appropriate approximation of the fair value of the FG GEF, a reasonable and prudent auditor would have investigated the $3.5 million variance further to determine: (a) the cause of the variance; (b) why the FGMF recorded a lower value; and (c) what evidence the FGMF could provide to support how this lower value was appropriate.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		ASA 500 **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence	This additional information would then be verified and assessed against AASB 13 Fair Value.	
45.	The audit file shows the auditors did not independently validate whether the FGMF in fact held 100% of the units in the FG GEF.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	The unitholding register of the FG GEF ought to have been obtained to ascertain whether the FGMF in fact held 100% of the units. A sample of unitholding movements (if applicable) ought to have been tested.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
46.	The audit file shows two of the FG GEF's assets, valued collectively at $1,983,734, were not selected for testing, being: • An asset titled 'LifePay' valued at $1,843,192; • 'Other' assets of $140,542; • 'Other' liabilities of the FG GEF, valued at $157,170, were not tested. Assuming that the net assets of the FG GEF were determined to be an appropriate approximation of the fair value of the Fund, the audit file shows the following inadequacies: (a) The FG GEF is an unaudited fund. Therefore, the auditors would need to validate a sufficient quantity of assets and liabilities to determine whether the net assets were materially correct. The auditors did not document in the audit file their rationale for why two assets were not selected for testing. (b) The FG GEF's statement of profit or loss is not included in the workpaper. To appropriately test the net asset value of the FG GEF, consideration of the fund's income and expenses should have been assessed to ensure the assets and liabilities were complete. In particular, the Product Disclosure Statement of the FGMF's First Guardian Global Income Class	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of	On the assumption that the net assets of the FG GEF were determined to be an appropriate approximation of the fair value of FG GEF, a reasonable and prudent auditor ought to have: (a) in the absence of an audited set of financial statements, undertaken audit procedures on the balance sheet and profit or loss of the FG GEF to gain sufficient evidence that the net assets were materially correct; (b) for each asset selected to be tested, obtained and understood the loan agreement, validated the amount lent to the borrower and ensured that loans were accruing interest based on the agreements; (c) validated the recoverability assessment of each loan by: • reviewing the due diligence/credit assessments performed for new loans; • identifying the security being obtained (e.g. if the loan was being used for the purchase of a property, the details of the property, etc.); • evidence that Falcon Capital, as trustee for the FG GEF, lodged an interest in	**ASA 315** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(accessible via the previous year (FY23) Caseware audit file) notes that all management and performance fees were paid out of the underlying fund (being the FG GEF). The balance sheet alone did not demonstrate whether all management and performance fees had been correctly accounted for and, where applicable, accrued as a liability.	Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing	the security being taken (e.g. a lodged mortgage for a property); • obtained copies of external valuations on underlying security, and where valuations of the security would have likely changed from the previous valuation date, obtained updated valuations or other third-party information to support recoverability; (d) assessed whether, based on the recoverability assessment and interest rate being charged, the loans reflected fair value under the relevant accounting standards; (e) reviewed the profit or loss statements of the FG GEF and assessed whether there were any items which may have indicated inaccurate or incomplete asset and liability balances, which may have required further investigation (i.e. what fees were being paid and/or accrued, was this consistent with the Product Disclosure Statement and were there any fees missing that should be considered).	Sufficient Appropriate Audit Evidence **Paragraphs 7 and 9** Information to be Used as Audit Evidence **<u>ASA 530</u>** **Paragraphs 6-8** Sample Design, Size and Selection of Items for Testing **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
47.	In relation to the FG GEF's loan of $68,651,639 to the FG GIF (which is a related party given it is one of the FGMF's other direct investments, and is managed and operated by	**<u>ASA 250</u>** **Paragraphs 13 and 14**	A reasonable and prudent auditor ought to have: (a) obtained a copy of any loan agreement between the FG GEF and the FG GIF;	**<u>ASA 315</u>** **Paragraph 19(a)**

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	Falcon Capital), there was no documentation in the audit workpaper demonstrating consideration of the following: (a) the purpose of the FG GEF lending money to the FG GIF. This appears unusual given the quantum involved and the related party nature of the transaction, which required further consideration; (b) whether the loan's value of $68.7 million represented fair value; (c) the interest rate being received on the loan; (d) whether the loan was provided at an arm's length interest rate; (e) whether a loan agreement was in place documenting the terms of the loan; (f) whether the loan balance was inclusive of interest being accrued; (g) whether the loan was recoverable; and (h) the $3.4 million variance identified in the audit workpaper as to the value of the loan.	The Auditor's Consideration of Compliance with Laws and Regulations **<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>**	(b) obtained an understanding of why the loan was provided, given it was a related party transaction; (c) verified that interest was being accrued and included in the balance based on the agreed rate in the agreement; (d) assessed whether the interest rate was a market rate, and therefore assessed whether the loan balance met the requirements of fair value under relevant accounting standards; (e) requested that the FGMF provide a recoverability assessment of the loan and then perform procedures to verify and assess whether the recoverability assessment was reasonable and supportable; and (f) investigated further the material $3.4 million variance in valuation.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 13 Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		**Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
48.	In relation to the FG GEF's investment of $62,176,180 in Trulet Pte Ltd, which related to a share issuance agreement between the FG PEF (the subscriber) and Trulet Pte Ltd (the issuer), the audit file shows: (a) no details were recorded regarding the business of Trulet Pte Ltd, the assets held by the company, or the purpose of the investment; (b) there is no documentation in the audit file as to what portion of the $62 million investment balance related to shares/convertible notes; (c) the audit file contains no verification to confirm that shares were in fact issued, and contains no validation of how the investment increased from $1 million at 30 June 2023 to $62 million at 30 June 2024; (d) the audit file discloses no investigation as to whether an agreement existed allowing for cash payments for shares; (e) the audit file contains no independent assessment as to the valuation of the shares or whether impairment existed (Trulet Pte Ltd was not a listed entity, so the trial balance and net assets would need to be assessed to consider the valuation of the shares); (f) no details were obtained regarding the purpose of the convertible note, or as to the assets of the note's issuer;	**<u>ASA 315</u>** **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 8** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 550</u>** **Paragraph 15**	A reasonable and prudent auditor ought to have: (a) obtained an understanding of the nature of Trulet Pte Ltd, its business and the assets it held; (b) obtained an understanding of the allocation of the $62 million invested in Trulet as between shares and convertible notes; (c) obtained an understanding of how much of the $62 million was a new investment from prior year or revaluation related; (d) verified the FG GEF's ownership percentage in Trulet through an independent confirmation sent to the directors of the company; (e) obtained due diligence details of Trulet Pte Ltd; (f) requested that the FGMF provide an independent valuation of Trulet as at 30 June 2024; (g) assessed the appropriateness of the valuation expert used by the FGMF for competence and objectivity; (h) reviewed the valuation provided by the FGMF, and assessed whether the valuation methodology, date of valuation and key assumptions were appropriate, including	**<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 8** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 7** External Confirmation Procedures **<u>ASA 540</u>** **Paragraphs 8 and 10**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(g) no verification was undertaken as to whether interest of 10% p.a. was in fact being paid monthly to the FG GEF (if not, it ought to have been added to the convertible note balance); (h) no validation was undertaken as to the valuation of the convertible note during the financial year (the amount was simply stated). As a result, there is no evidence in the audit file as to the accuracy, existence or completeness of the balance of the convertible note as at 30 June 2024; (i) in the valuation report of Trulet Pte Ltd, a director of the FGMF's responsible entity, Mr David Anderson, was listed as an external advisor. As a result, a related party transaction may have occurred, but the audit file contains no further consideration or investigation of this fact; (j) there is no explicit evidence in the valuation report that it was prepared or verified by an independent valuation specialist. Instead, it appears to rely on management-provided information, which raises concerns over the reliability and objectivity of the valuation evidence; (k) no consideration was given to the fact that the valuation report provided no valuation of the convertible note; and (l) throughout all the work performed, there was no comparison or reconciliation to the actual balance of the investment recorded in the books of the FG GEF.	Risk Assessment Procedures and Related Activities **Paragraph 22** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	whether the following further procedures were warranted: • engaging an audit expert; and • performing procedures on any data or assumptions provided to the valuer that could have been manipulated by the FGMF; (i) obtained the FGMF's impairment assessment and requested financial information of Trulet Pte Ltd; and (j) performed a comparison or reconciliation to the actual balance of the investment recorded in the books of the FG GEF, and investigated any material variances.	Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **<u>ASA 620</u>** **Paragraph 8** Nature, Timing and Extent of Audit Procedures **Paragraph 12** Evaluating the Adequacy of the Auditor's Expert's Work
49.	In relation to the FG GEF's loans to Asia Fintech Trust Pte Ltd regarding Briix Singapore (valued at $42,462,160) and Briix Property Group (valued at $28,700,000), the audit file shows that: (a) The auditors do not identify in the workpaper what value the investments are being held at (i.e. whether they are at fair value, etc.) (b) no work was performed on ascertaining the actual fair value of the investments; (c) there was no assessment of a letter from Maleo Capital Management which outlined that they were in arrears	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework	A reasonable and prudent auditor ought to have: (a) undertaken company searches through ASIC (or the relevant international company regulator) to understand the structure of the organisation of the loans, especially in circumstances where they are related party transactions; (b) verified that the FG GEF in fact obtained appropriate security when providing the loan, on both the original loan and the restructure to MCM;	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	of $52 million in relation to the repayment of a loan relevant to the investment. This ought to have been an impairment indicator; (d) no details were obtained regarding the purpose of the loan, or the assets of the borrower; (e) no reconciliation or testing was performed on the movements in the loan year on year; (f) no recalculation was performed regarding assessment of the interest on the loan; (g) no verification was undertaken as to whether interest was in fact being accrued on the loan; (h) the auditors identified in the workpaper that the recorded combined investment of $71.1 million was less than the amount of the consideration in the Sale and Purchase Agreement of $93 million, but did not further investigate that the agreement refers to the purchaser of the investment being FG PEF and not the FG GEF; (i) no validation was undertaken as to the additions to the loan during the year (the amount was just stated). Therefore, no evidence exists in the audit file as to the accuracy, existence or completeness of the loan balance as at 30 June 2024; (j) no work was documented regarding any security arrangements, and how the auditors made themselves comfortable that any such security provided adequate coverage of the loan; (k) the signatory to the agreement with Maleo Capital Management was Mr Conrad Leigh Warren. Mr Warren is listed in the First Guardian Pan Asia Class Product Disclosure Statement as FGMF's Head of Asian Private Equity (this PDF was available in the FY23 Caseware audit file). There is no evidence in the audit file that the auditors considered this agreement as a related party transaction, nor is there documentation demonstrating an understanding of this agreement or that it involves two FG Funds, being the FG PEF and the FG PAF. Further, there is no evidence of any	and the Entity's System of Internal Control **ASA 330** **Paragraphs 6 and 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	(c) obtained due diligence details regarding the business of MCM and the purpose of the loan; (d) recalculated the interest receivable based on the loan agreement and ensured that amount had been included with the loan balance or had been repaid; (e) validated repayments received to bank statements; (f) validated loan funding to the agreement, loan settlement statements (i.e. from a solicitor if used), or a loan confirmation directly with MCM/Asia Fintech; (g) obtained independent valuations on any security obtained and assessed whether such a valuation could be relied upon; (h) obtained the FGMF's recoverability assessment of the loan, and requested financial information of MCM and Asia Fintech; and (i) further investigated the fact that MCM were in arrears of $52 million regarding the loan relevant to the investment.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **Paragraph 10** Selecting Items for Testing to Obtain Audit Evidence **ASA 505** **Paragraphs 10 and 11** Results of the External Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	required additional considerations being undertaken as a result, such as: • what the agreement is actually doing; • what is being sold; and • how it relates to the investment recorded in FG GEF; and (l) no investigation was undertaken as to the fact that the structural and ownership classification comments provided by the FGMF did not address related parties or validate how the entities and restructure actually occurred.			
50.	In relation to the receivable recorded by the FG GEF of $31,958,857 from '*Income Solutions Fund*', the audit file demonstrates: (a) no understanding was obtained regarding the nature of the receivable or the business of Income Solutions Fund. The explanation provided in the audit workpaper is high-level and vague, and does not provide an understanding of how the receivable arose and whether the Income Solutions Fund was acting as an intermediary, custodian or legal debtor; (b) no corroboration was undertaken as to the FGMF's explanation of the receivable balance; (c) no testing was undertaken as to the existence of the receivable balance, either through external confirmation from the Income Solutions Fund, or through the review of agreements in place. As a result, no assurance was obtained as to an amount in fact being due from Income Solutions Fund; (d) the only documented understanding obtained from the FGMF states the balance is an "*amount owed via wholesale investor base*". No consideration was given to this being a risk indicator as to the amount not being a true receivable, and rather being pooled investor funds or an inter-fund arrangement; (e) no assessment was undertaken as to whether contractual enforceability or a legal right to receive cash existed on the FG GEF's part; and	**<u>ASA 315</u>** **Paragraphs 25, A84-A87** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7**	A reasonable and prudent auditor ought to have: (a) obtained a detailed understanding the nature of the receivable and the relationship between the FG GEF and the Income Solutions Fund; (b) obtained and reviewed any agreements relevant to the receivable; (c) determined the legal rights and contractual enforceability associated with the receivable; (d) obtained an external confirmation from the Income Solutions Fund to obtain confirmation that the receivable balance existed; (e) performed a reconciliation of the receivable balance by identifying allocations and cash received and agreeing it to the closing balance, ensuring that any underlying movements had proper supporting documentation; and (f) obtained the FGMF's recoverability assessment and requested financial information of the Income Solutions Fund.	**<u>ASA 200</u>** **Paragraph 18** Conduct of an Audit in Accordance with Australian Auditing Standards **<u>ASA 315</u>** **Paragraphs 25 and A84-A87** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(f) no work was performed to assess whether the amount receivable from the Income Solutions Fund was recoverable.	Information to be Used as Audit Evidence **ASA 505** **Paragraph 7** External Confirmation Procedures **ASA 540** **Paragraph 6** Key Concepts of this Auditing Standard		Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **ASA 505** **Paragraph 7** External Confirmation Procedures **ASA 540** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities
51.	In relation to the $8,939,000 asset of the FG GEF named '*Interactive Brokers Transfer*', the audit file shows: (a) no details were recorded regarding whether the summary statement was provided directly by management, or whether it was obtained from Interactive Brokers directly (i.e. via an external confirmation); (b) no details were provided regarding the holdings of the Interactive Brokers account (i.e. shares, ETFs, currencies, options, bonds);	**ASA 200** **Paragraph 18** Conduct of an Audit in Accordance with Australian Auditing Standards **ASA 315** **Paragraph 25**	A reasonable and prudent auditor ought to have: (a) obtained the statement that the FGMF noted it received from Interactive Brokers Australia either directly from the company via a confirmation sent directly from the auditor, or via the FGMF logging into any relevant account and downloading the statement with the auditor present. Any method utilised would be documented;	**ASA 330** **Paragraph 5** Overall Responses **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(c) no documentary evidence exists in the audit file regarding interrogation of how a statement from Interactive Brokers was sufficient to be relied upon entirely for existence and valuation (i.e. how were the FGMF and the auditors sure that Interactive Brokers had appropriate internal controls to ensure reliable statements to be produced); (d) no procedures were performed on the valuation of the assets held by Interactive Brokers; and (e) the auditors noted in the audit workpaper that the FGMF was going to write off a $3.8 million variance identified in the value of the asset as it related to an unrecorded loss. However, no work was done to reflect this change in the financial statements, and no misstatements were raised.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **ASA 330** **Paragraph 6** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 6** Consideration of Identified Misstatements as the Audit Progresses **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 540** **Paragraph 8**	(b) confirmed the valuation of the assets in the statement to third party sources as at 30 June 2024 (i.e. by tracing a sample through to prices quoted on the relevant stock exchanges); (c) enquired whether Interactive Brokers Australia had any internal controls, audits, or reporting that could be obtained to understand how its statements could be relied upon for the existence of the assets; and (d) if no internal control reports were available, considered performing sample testing on the transactions during the year to validate the existence of the assets held at 30 June 2024.	Misstatement at the Assertion Level **ASA 402** **Paragraph 12** Obtaining an Understanding of the Services Provided by a Service Organisation, Including Internal Control **Paragraph 15** Responding to the Assessed Risks of Material Misstatement **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **ASA 505** **Paragraph 7** External Confirmation Procedures

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Response to the Assessed Risks of Material Misstatement		**<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Response to the Assessed Risks of Material Misstatement
52.	In relation to the FG GEF's investment in Briix Singapore of $8,336,392, which related to a convertible loan agreement between PT Briix Group Indonesia (the issuer) and the FG GEF (the noteholder), the audit file shows: (a) no details were obtained regarding the purpose of the note or the assets of the issuer; (b) no verification was undertaken regarding whether interest of 12% p.a. was being paid monthly to the FG GEF or appropriately accrued to the loan balance; (c) no validation was undertaken as to the valuation of the note during the year (the amount was simply stated). As a result, evidence was not provided as to the accuracy, completeness or existence of the loan balance as at 30 June 2024; (d) no work was documented in the audit file as having been completed on the existence of any security arrangements, and how the auditors had satisfied themselves that any such security provided adequate coverage of the loan; (e) the signatory to the facility agreement on behalf of the borrower was Mr Conrad Leigh Warren. Mr Warren is listed in the First Guardian Pan Asia Class PDS as the FGMF's Head of Asian Private Equity, but there is no evidence of consideration of this agreement being a	**<u>ASA 315</u>** **Paragraph 11** Objective **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence	A reasonable and prudent auditor ought to have: (a) reviewed and tested the accuracy and valuation of the convertible note; (b) verified that the FG GEF in fact obtained appropriate security when providing the note; (c) obtained due diligence details of the business of PT Briix and the purpose of the convertible note; (d) investigated whether the note was issued on an arm's length basis; (e) recalculated the interest receivable based on the loan agreement and ensured this was included with the convertible note balance, or had been otherwise repaid; (f) validated repayments received to bank statements; (g) obtained an independent valuation on any security obtained, and assessed whether such a valuation could be relied upon; and (h) obtained the FGMF's recoverability assessment and requested financial information of PT Briix.	**<u>ASA 315</u>** **Paragraph 19(a)** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	related party transaction, nor is there evidence of any required additional considerations being undertaken as a result.	**ASA 540** **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		**Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions
53.	In relation to the FG GEF's investment in Sonoa Health Holdings Pty Ltd (**Sonoa Health**) (of $6,600,000), relating to share subscription agreements between Sonoa Health and the FG GEF, the audit file shows: (a) there is no documentation in the audit file demonstrating an understanding of the purpose of the investment and the assets held by Sonoa Health; (b) no validation was undertaken as to the amount of units the FG GEF held in Sonoa Health;	**ASA 315** **Paragraphs 21 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework	A reasonable and prudent auditor ought to have: (a) verified the ownership percentage of the FG GEF in Sonoa Health through an independent confirmation; (b) obtained an understanding of the nature of Sonoa Health and what assets it holds; (c) requested that the FGMF provide an independent valuation of Sonoa Health as at 30 June 2024;	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 8**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	(c) the subscription agreement between Sonoa Health and the First Guardian Innovation Fund outlines an initial payment of $50,000 and a subscription price of $3 million. The remaining monies were to be paid in tranches on certain specified payment dates. However, the audit file contains no testing of actual cash flows (i.e., agreeing cash flows of the FG GEF to the agreed payments). As a result, there was no confirmation recorded in the audit file that the full $3 million was in fact paid by the FG GEF. If it was not, the amount owing would be a possible liability for the FG GEF, which was not considered by the auditors; (d) the audit file contains a separate agreement between Sonoa Health and Maleo Capital Management. However, there is no documented consideration in the audit file as to how this agreement was relevant to the asset balance regarding Sonoa Health in the FG GEF; (e) the $3 million cash injection contemplated by the subscription agreement does not match up to the $6.6 million asset balance. The audit workpaper notes that the FGMF provided the following explanation in this regard: *"$6.6 million in total cash injections originated from the old Private Equity Fund (PEF), which has since merged into the Global Equity Fund (GEF).*" However, no work to corroborate this is reflected in the audit file; (f) no evidence was obtained for the transfer of the investment from the FG PEF to the FG GEF; (g) no consideration was given to whether the valuation of the asset balance at $6.6 million represented fair value; (h) no details were recorded regarding what due diligence documents were actually reviewed by the auditors; and (i) no copies of any external valuation were obtained, nor were any details regarding the date of the valuation, who performed the valuation, whether the valuer was appropriate and could be relied on, and the basis of the valuation.	and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7 and 8** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 8** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Response to the Assessed Risks of Material Misstatement	(d) assessed the appropriateness of the valuation expert used by the FGMF for competence and objectivity; (e) reviewed the valuation of the asset and assessed whether the valuation methodology, date of valuation and any key assumptions were appropriate, including whether any further procedures were warranted, such as: • engaging an audit expert; and • performing procedures on any data or assumptions provided to the valuer that could have been manipulated by the FGMF.	Information to be Used as Audit Evidence **<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 540</u>** **Paragraph 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
54.	In relation to the FG GEF's investment in Australian Food & Farming Holdings Pty Ltd (**AFFF**) (of $2,002,102), the audit file shows: (a) there is no documentation in the audit file demonstrating an understanding of the purpose of the investment or the assets held by AFFF; (b) no confirmation was obtained as to the number of units held in AFFF as at 30 June 2024; (c) no evidence was obtained to confirm that the unit price could be used as a valuation metric; and (d) the share certificate was signed by Mr David Anderson (a director of the FGMF's responsible entity). There was consideration as to the investment being treated as a related party transaction as a result, or whether the share certificate was internally generated.	**<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 7** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 18** Response to the Assessed Risks of Material Misstatement	A reasonable and prudent auditor ought to have: (a) verified the ownership percentage in AFFF through an independent confirmation sent to the AFFF; (b) obtained an understanding of the nature of AFFF (i.e. the type of fund it is, and what assets it holds); (c) requested the FGMF to provide an independent valuation of AFFF as at 30 June 2024; (d) assessed the appropriateness of the valuation expert used by the FGMF for matters such as competence and objectivity; (e) reviewed the valuation and assessed whether the valuation methodology, date of valuation and any key assumptions were appropriate and if any further procedures were warranted such as: • engaging an audit expert; and • performing procedures on any data or assumptions provided to the valuer that could have been manipulated by management.	**<u>ASA 315</u>** **Paragraph 12** Definitions **<u>ASA 500</u>** **Paragraph 8** Information to be Used as Audit Evidence **<u>ASA 505</u>** **Paragraph 7** External Confirmation Procedures **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 12** Definitions **Paragraph 13** Risk Assessment Procedures and Related Activities
B4. Audit procedures planned and performed for liabilities				
55.	The FY24 financial statements for the FGMF recorded nil liabilities. There was no documentation in the audit file recorded by the auditors demonstrating consideration of	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism	A reasonable and prudent auditor ought to have designed and performed testing to address the	**<u>ASA 315</u>** **Paragraphs 19 and 25**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	whether liabilities were recorded completely for FY24. In particular, a fund of the size and nature of the FGMF would typically record accruals for distributions payable, responsible entity fees and investment management fees as well as payables for redemptions requested but not yet paid. Whilst the immaterial balance may be appropriate, there was no documentation in the audit file demonstrating that the auditors considered this and sufficiently understood how liabilities were appropriately nil.	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraphs 19 and 25** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	risk of completeness, which ought to have included: (a) unrecorded liability testing (selecting a sample of amounts paid after 30 June and verifying if those payments related to transactions or events that should have been recorded before 30 June 2024); and (b) consideration of typical expenses for an investment fund and whether there were any omitted liabilities at 30 June 2024, such as distribution expenses (returns paid to unitholders), responsible entity fees, investment manager fees, tax advisor fees, etc.	Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 330</u>** **Paragraph A47** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence
B5. Audit procedures planned and performed for net assets attributable to unitholders				
56.	The FGMF recorded $191,334,803 in 'applications' (i.e. new funds received by new or existing investors). In return for providing 'applications', investors received units based on the unit price of the fund as at the date of the application. The audit file shows no audit evidence was obtained by the auditors to validate the occurrence and accuracy of these applications.	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A reasonable and prudent auditor ought to have selected a sample of application transactions for substantive testing. The testing performed for each selected sample should have included the following procedures: (a) obtaining the subscription/application forms completed by the unitholder;	**<u>ASA 330</u>** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		ASA 500 **Paragraph 6** Sufficient Appropriate Audit Evidence	(b) agreeing the details of the application form to accounting recorded i.e. the name of the unitholder, the dollar amount being invested, the date of the application; (c) recalculating the unit price (dollar amount invested divided by units issued) and verifying that the unit price agrees to the fund's unit price schedule at the date of the application to ensure the application was recorded at the correct unit price; and (d) agreeing the application amount to monies received in the bank statement to verify receipt of funds.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
57.	The FGMF recorded $79,125,636 in '*redemptions*' (i.e. the funds to be paid to unitholders upon their exit from a fund, at which point they relinquish their units in the fund in exchange for cash based on the unit price of the fund as at the date of the redemption). The audit file contains no audit evidence obtained by the auditors to validate the occurrence and accuracy of these redemption applications.	**ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	A reasonable and prudent auditor ought to have selected a sample of redemption transactions for substantive testing. The testing performed for each selected sample should have included the following procedures: (a) obtaining the redemption request completed by the unitholder; (b) agreeing the details of the redemption request to accounting records (i.e. the name of the unitholder, the dollar amount or number of units requested to be redeemed, and the date of the redemption); (c) recalculating the unit price (dollar amount redeemed divided by number of units redeemed) and verifying the unit price agrees to the fund's unit price schedule at the date of the redemption to ensure the redemption was recorded at the correct unit price; and (d) agreeing redemptions to monies paid in the bank statement to verify the redemptions had been paid.	**ASA 330** **Paragraph 18** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
58.	There is nothing in the audit file to suggest the auditors undertook any testing of transactions around the year-end, to address any risk of premature recognition of applications	**ASA 330** **Paragraph 21**	A reasonable and prudent auditor would have selected a sample of applications and redemptions close to balance date (i.e.	**ASA 330** **Paragraph 21**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	or delayed recognition of redemptions that may have been used in an attempt to inflate Net Asset Value (**NAV**).	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	transactions near the end of 30 June 2024 and transactions at the start of July 2024) for cut-off testing. The same procedures set out in rows 56 and 57 above would have been performed, with a specific focus on reviewing the date of the application or redemption and ensuring the transaction was recorded in the correct period.	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level
59.	The application and redemption amounts (the units and dollar amounts) noted in the relevant audit workpaper appear unusual as they imply that either unit pricing is incorrect or one of units or dollars is incorrect. By way of example: (a) the relevant audit workpaper discloses material differences in the (i) net assets attributable to unitholder reconciliation calculation recorded in the workpaper and (ii) the average unit price implied by this reconciliation; (b) in this respect, the implied average unit price of redemptions (of $1.29 per unit) is significantly different to the average unit prices at the beginning of the financial year (average of $1.08 per unit), the applications received during the year (average of $1.79 per unit), and at the end of the financial year (average of $1.24 per unit); (c) there is no further information available in the audit workpaper to enable a proper assessment as to whether the FGMF's unit pricing was erroneous, the composition of this reconciliation should have prompted further investigation. There is no evidence in the audit file of the auditors conducting any such investigation.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 500** **Paragraph 9** Information to be Used as Audit Evidence **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence **ASA 520** **Paragraph 7** Investigating Results of Analytical Procedures	A reasonable and prudent auditor would have conducted an analytical review and further investigations as to the units issued (including comparing the average unit pricing of applications and redemptions) to identify any anomalies or unusual movements. Any such anomalies or unusual movements would have been investigated further.	**ASA 315** **Paragraphs 14(b) and A27** The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control **ASA 520** **Paragraph 7** Investigating Results of Analytical Procedures
B6. Audit procedures planned and performed for Related Party Transactions				
60.	The understanding of related transactions that was documented by the auditors in the audit file was minimal and did not demonstrate an understanding of the magnitude of related party transactions that were occurring in the FGMF. These related party transactions included the direct investments of the FGMF, which were mostly to	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230**	A reasonable and prudent auditor would have obtained a thorough understanding of the related parties and transactions connected to the FGMF. This would include: (a) obtaining management's related party register;	**ASA 315** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	funds the were related parties of the FGMF. In some cases, these underlying related party funds also had underlying assets that consisted of related party transactions, which the auditors should have identified in their audit. There is no evidence in the audit file that they did so.	**Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 315</u>** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 28** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraph 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 550</u>** **Paragraphs 12-15**	(b) discussions with management and the directors; (c) reviewing board minutes; (d) reviewing previous audit files; (e) reviewing group/entity/investment structures; and (f) undertaking company and/or director searches.	**Paragraph 19** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **<u>ASA 550</u>** **Paragraphs 11-15** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities		
61.	There is no documented evidence in the audit file to suggest that the auditors recorded the existence of related party transactions as representing a fraud risk factor that needed to be considered in the audit plan.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 240**</u> **Paragraphs 22, 24 and 25** Risk Assessment Procedures and Related Activities **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud <u>**ASA 315**</u> **Paragraphs 28 and 31** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraphs 18 and 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	Where related party transactions are found to exist, a reasonable and prudent auditor should assess and document whether there are elevated levels of risk due to fraud or error from these, and whether there is opportunity or incentives.	<u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 240**</u> **Paragraphs 22, 24 and 25** Risk Assessment Procedures and Related Activities **Paragraph 27** Identification and Assessment of the Risks of Material Misstatement Due to Fraud <u>**ASA 315**</u> **Paragraphs 28 and 31** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraphs 18 and 19** Identification and Assessment of the

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraphs 20 and 22 Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Risks of Material Misstatement Associated with Related Party Relationships and Transactions
62.	There is no documented evidence in the audit file to suggest that the auditors undertook searches for undisclosed related party transactions or, for related party transactions disclosed (such as the payment of the FGMF's fees by underlying investments), that validation of these transactions was undertaken.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 33(c)** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **ASA 550** **Paragraphs 15-17** Risk Assessment Procedures and Related Activities	For managed investment schemes specifically, related party transactions should be reviewed against product disclosure statement (**PDS**) documents to ensure that they are fully disclosed to investors, and to assess whether the PDS states makes provisions for any specific requirements as to related party transactions i.e. approval by the unitholders.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 33(c)** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraphs 7- 9** Information to be Used as Audit Evidence **ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraph 23 Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Risk Assessment Procedures and Related Activities **<u>ASA 550</u>** **Paragraphs 15-17** Risk Assessment Procedures and Related Activities **Paragraphs 22, 23 and 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
63.	In the audit plan, the auditors planned that they would challenge the FGMF's valuations of related party transactions, and the FGMF's assessment of those transactions being arm's length. There is no documented evidence in the audit file to suggest that the auditors in fact completed these procedures, or that they had challenged the FGMF's valuations and assessments in any other way.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 330</u>** **Paragraph 5** Overall Responses **Paragraphs 18 and 21** Audit Procedures Responsive to the	A reasonable and prudent auditor ought to have designed and undertaken specific procedures on related party transactions identified during the audit, including: (a) obtaining, reviewing, and documenting any relevant agreements in place for these transactions; (b) assessing whether the transactions were at arm's length; and (c) applying extra scrutiny to information provided about related party transactions, or information provided from the related parties, to ensure the information was reliable.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 240</u>** **Paragraph 33(c)** Responses to the Assessed Risks of Material Misstatement Due to Fraud **<u>ASA 500</u>** **Paragraphs 7-9** Information to be Used as Audit Evidence

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Assessed Risks of Material Misstatement at the Assertion Level **ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 23(a), 23(b), 23(c) and 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		**ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **ASA 550** **Paragraphs 22-24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions
64.	The disclosures included in the FGMF's FY24 financial statements do not include any disclosures as to: (a) the 'management fees' which were 'payable to the investment manager by the underlying funds'.; (b) the underlying related party transactions conducted at the investment level in the underlying funds (in relation to these, see rows above); and (c) the terms and conditions of any such related party transactions.	**ASA 550** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **Paragraph 26** Written Representation **ASA 700** **Paragraph 6** Objectives	A reasonable and prudent auditor ought to have verified that all related party transactions identified during the audit are accurately disclosed in the financial report.	**ASA 550** **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **Paragraph 26** Written Representations **ASA 700** **Paragraphs 13(c), 13(d), 14**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Paragraphs 13(c), 13(d), 14 Forming an Opinion on the Financial Report **Paragraphs 17 and 18** Form of Opinion		Forming an Opinion on the Financial Report
B7. Audit procedures planned and performed to address an auditor's responsibilities relating to fraud in an audit of a financial report				
65.	There is no evidence in the audit file to indicate that any planning occurred between audit team members to discuss the likelihood and susceptibility of fraud in the financial report of the FGMF for FY24. Even if Mr. Khan was the sole auditor, as part of the risk assessment to be undertaken, the audit file was still required to include documentation demonstrating how the audit team had considered where fraud risks may exist.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 220** **Paragraph 14** Assignment of Engagement Teams **Paragraph 15** Engagement Performance **ASA 230** **Paragraphs 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 16** Discussion among the Engagement Team **Paragraph 44** Reporting Fraud to an Appropriate Authority Outside the Entity	A discussion with the engagement team ought to have been held and documented (or, in the absence of other team members, documentation should still have occurred) demonstrating considerations of the likelihood and susceptibility of fraud in the financial report and identification of any fraud risk factors.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraphs 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraph 17** Risk Assessment Procedures and Related Activities **ASA 240** **Paragraph 16** Discussion among the Engagement Team **Paragraph 44(a)**

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>**ASA 315**</u> **Paragraph 10** Components of the Entity's System of Internal Control		Reporting Fraud to an Appropriate Authority Outside the Entity
66.	The majority of the FGMF's direct investments are unaudited, unregistered funds that were managed by Falcon Capital (the responsible entity for the FGMF). These are unaudited related parties which ought to have been considered in the auditors' fraud risk assessment. The documents included in the audit plan make no reference to potential fraud risk from related party transactions, in circumstances where the FGMF's structure meant that such a risk should have been included in the auditors' fraud risk assessment. ASA 240 specifically lists 'significant related-party transactions not in the ordinary course of business or with related entities not audited' as a fraud risk factor.	<u>**ASA 200**</u> **Paragraph 15** Professional Scepticism <u>**ASA 230**</u> **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained <u>**ASA 315**</u> **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 28** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 240**</u> **Paragraphs 24 and 26** Risk Assessment Procedures and Related Activities	Specific consideration ought to have been given (and documented) as to whether the large number of related party transactions represented a fraud risk that required specific audit procedures to be designed and performed.	<u>**ASA 240**</u> **Paragraphs 22, 24, 26** Risk Assessment Procedures and Related Activities <u>**ASA 315**</u> **Paragraph 26** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 28** Identifying and Assessing the Risks of Material Misstatement <u>**ASA 550**</u> **Paragraphs 18 and 19** Identification and Assessment of the Risks of Material Misstatement Associated with

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		<u>ASA 550</u> **Paragraph 19** Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions		Related Party Relationships and Transactions
67.	In FY23, the FGMF had a large growth in total assets but, in contrast, had relatively small growth in income. There is no evidence in the audit file to suggest that any work was undertaken regarding evaluation of unusual or unexpected relationships (such as the one set out above).	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **<u>ASA 240</u>** **Paragraphs 21-23** Risk Assessment Procedures and Related Activities **<u>ASA 315</u>** **Paragraph 14(b)** Risk Assessment Procedures and Related Activities **Paragraph 31** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 520</u>** **Paragraph 5**	The large growth in assets and accompanying small growth in revenue ought to have prompted further investigation for a reasonable and prudent auditor.	**<u>ASA 200</u>** **Paragraph 15** Professional Scepticism **<u>ASA 240</u>** **Paragraph 23** Risk Assessment Procedures and Related Activities **Paragraph A11** Discussion among the Engagement Team **<u>ASA 315</u>** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraph 19** Obtaining an Understanding of the Entity and Its

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Substantive Analytical Procedures **Paragraph 7** Investigating Results of Analytical Procedures		Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 31** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 520</u>** **Paragraph 5** Substantive Analytical Procedures **Paragraph 7** Investigating Results of Analytical Procedures
68.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. This checklist was blank, but ought to have included mandatory	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures	A reasonable and prudent auditor ought to have: (a) identified a risk of fraud in relation to revenue recognition; and	**<u>ASA 240</u>** **Paragraphs 26 and 27**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	procedures that an auditor ought to perform including procedures in respect of fraud in relation to revenue recognition. There is no evidence in the audit file to suggest that the auditors: (a) identified a risk of fraud in relation to revenue recognition, as required by ASA 240; or (b) performed any procedures relating to the same.	Performed and Audit Evidence Obtained **<u>ASA 240</u>** **Paragraphs 27 and 28** Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **<u>ASA 300</u>** **Paragraph 12** Documentation **<u>ASA 330</u>** **Paragraphs 7, 18, 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence	(b) designed and performed procedures to specifically address risk of fraud in revenue recognition. At a minimum, substantive tests of details ought to have been completed.	Identification and Assessment of the Risks of Material Misstatement Due to Fraud **Paragraph 31** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 47** Documentation **<u>ASA 330</u>** **Paragraphs 7, 8, 21** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence
69.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. This checklist was blank, but ought to have included mandatory	**<u>ASA 230</u>** **Paragraph 8** Documentation of the Audit Procedures	As mandatorily required by ASA 240, an evaluation of the controls around journal entries should have been performed and documented. A reasonable and prudent auditor also ought to have tested a sample of journal entries.	**<u>ASA 240</u>** **Paragraphs 32-34** Responses to the Assessed Risks of Material

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	procedures that an auditor ought to perform including testing of journal entries recorded in the general ledger. There is no evidence in the audit file to suggest that the auditors performed any journal testing.	Performed and Audit Evidence Obtained <u>**ASA 240**</u> **Paragraphs 32-34** Responses to the Assessed Risks of Material Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity <u>**ASA 500**</u> **Paragraph 6** Sufficient Appropriate Audit Evidence		Misstatement Due to Fraud **Paragraph 44(b)** Reporting Fraud to an Appropriate Authority Outside the Entity <u>**ASA 315**</u> **Paragraph 12** Definitions **Paragraphs 21 and 22** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <u>**ASA 330**</u> **Paragraphs 8 and 10** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <u>**ASA 500**</u> **Paragraph 6**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Sufficient Appropriate Audit Evidence
70.	The auditors prepared a document titled 'ASA Requirements - Risk Response', in which they recorded a checklist to ensure compliance with ASA 240. This checklist was blank, but ought to have included mandatory procedures that an auditor ought to perform including reviewing accounting estimates for bias. There is no evidence in the audit file to suggest that the auditors corroborated or challenged any estimates provided by the FGMF for bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **ASA 540** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13**	Accounting estimates provided by the FGMF ought to have been audited, including undertaking evaluation of management bias.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 240** **Paragraph 32** Responses to the Assessed Risks of Material Misstatement Due to Fraud **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **ASA 540** **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Risk Assessment Procedures and Related Activities **Paragraph 17** Identifying and Assessing the Risks of Material Misstatement		**Paragraph 21** Response to the Assessed Risks of Material Misstatement
B8. Audit procedures planned and performed for Financial Statement Disclosures				
71.	There is no documented evidence in the audit file to demonstrate how each amount and disclosure in the financial statements of the FGMF had been validated or agreed to audited information. In particular, there is no evidence in the audit file that the auditors validated the following key disclosures in the 30 June 2024 audited financial statement: • Cash flow statement; • Note 6: Financial assets at fair value through profit or loss - the allocation of financial assets between Equity, Property and Fixed Income; • Note 7: Net assets attributable to unit holders. Application and redemption movements; • Note 8: Financial risk management; • Note 9: Fair value measurement (i.e. the allocation of financial assets between level 1, 2 and 3 fair values).	**ASA 230** **Paragraphs 8 and 9** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 315** **Paragraphs 19 and 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 29** Identifying and Assessing the Risks of Material Misstatement **ASA 330** **Paragraph 15** Audit Procedures Responsive to the Assessed Risks of	As part of planning and risk assessment, a reasonable and prudent auditor ought to: (a) identify and assess whether there are any risks associated with financial statement disclosures, including risk of omissions; (b) perform a test of completeness and accuracy of the disclosures by agreeing the information disclosed in the financial statements to audited information (i.e. the audited trial balance or information included in the financial assets workpapers) or by performing additional audit procedures to ensure all material disclosures have been verified; (c) complete a disclosure checklist to ensure completeness of the disclosures required under Australian Accounting Standards; (d) consider the impact of any disclosure errors or omissions on the audit opinion and request management to make corrections.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures Performed and Audit Evidence Obtained **ASA 240** **Paragraphs 22 and 24** Risk Assessment Procedures and Related Activities **ASA 260** **Paragraph 16(b)** Matters to be Communicated **ASA 300** **Paragraph 9** Planning Activities **Paragraph 12** Documentation **ASA 315**

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
		Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **<u>ASA 500</u>** **Paragraph 6** Sufficient Appropriate Audit Evidence **<u>ASA 700</u>** **Paragraph 13(e) and 14** Forming an Opinion on the Financial Report		**Paragraphs 19 and 21** Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control **Paragraph 29** Identifying and Assessing the Risks of Material Misstatement **<u>ASA 330</u>** **Paragraphs 15 and 20** Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level **Paragraph 24** Adequacy of Presentation Disclosure of the Financial Report **<u>ASA 450</u>** **Paragraph 5**

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Accumulation of Identified Misstatements **Paragraph 8** Communication and Correction **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence **Paragraph 9** Information to be Used as Audit Evidence **ASA 540** **Paragraphs 18 and 20** Response to the Assessed Risks of Material Misstatement **ASA 550** **Paragraph 13** Risk Assessment Procedures and Related Activities

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
				Paragraph 24 Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **ASA 700** **Paragraphs 11, 13(c)-(e) and 14** Forming an Opinion on the Financial Report **Paragraphs 17 and 18** Form of Opinion **ASA 720** **Paragraph 14** Reading and Considering the Other Information
72.	Note 12 of the FGMF's FY24 financial statement provides details of the FGMF's holdings in relevant related parties. The Note identifies 8 entities that fall within the same group as the responsible entity of the FGMF, Falcon Capital Limited. These are all underlying funds of the FGMF. However, there is no evidence in the audit file to suggest that any work was performed by the auditors to corroborate the interest percentage held in each of these entities by Falcon Capital as disclosed. Note 12 also states that the only transactions between Falcon Capital and related parties were the payment of	**ASA 240** **Paragraph 24** Risk Assessment Procedures and Related Activities **ASA 450** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11**	The steps of a reasonable and prudent auditor stated in row 71 at column IV are repeated.	The list of relevant ASAs stated in row 71 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	management fees to the investment manager by each of the underlying funds. The audit file shows the auditors did not adequately corroborate this statement because: (a) they recorded that they had reviewed the balance sheets of the underlying funds, where other documents ought to have been reviewed also; and (b) further, in Note 12, the auditors state that "*no Director of the Responsible Entity was paid any remuneration by the Fund during the financial year*". However, this still leaves open the possibility that a management fee could have been paid indirectly through the underlying funds, and the auditors did not investigate this point further. Additionally, there are numerous underlying investments in the underlying, unregistered funds that are transactions with entities related to one of the directors of Falcon Capital, Mr David Anderson (see the sections above). These investments are not disclosed in Note 12. This is a disclosure breach of the Australian Accounting Standards, specifically AASB 124 Related Party Disclosures (paragraphs 13, 17, 18, 19, 21, 23).	Evaluating the Effect of Uncorrected Misstatements **ASA 550** **Paragraphs 13 and 14** Risk Assessment Procedures and Related Activities **Paragraphs 24** Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions **Paragraph 25** Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions **ASA 700** **Paragraphs 13(c) and 14** Forming an Opinion on the Financial Report		
73.	Note 9 of the FGMF's FY24 financial statement relates to fair value measurement. The disclosure shows that the FGMF's financial assets were mostly assets with valuations that fall in the 'Level 1' or 'Level 2' fair value category.	**ASA 200** **Paragraph 15** Professional Scepticism **ASA 315**	The steps of a reasonable and prudent auditor stated in row 71 at column IV are repeated.	The list of relevant ASAs stated in row 71 at column V are repeated.

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	This disclosure informs users how valuations have been determined and, importantly, how much estimation and judgement is needed in determining valuations of the assets. • Level 1 fair value assets are the most reliable valuations (as they are valued using prices quoted in active independent markets, such as shares trading on the ASX). • Level 2 fair value assets are those where valuation is based on observable inputs, but not a quoted market (e.g. a unit price from an external investment manager where there is regular unit pricing data and audited financials available to support the unit pricing). • Level 3 fair values are unobservable inputs, driven by models and significant management judgement. The FGMF's financial assets were held in related party unaudited managed investment schemes. Based on the above descriptions, these assets would usually constitute a level 3 valuation and consequently be disclosed as Level 3 fair values. The assets held by the underlying managed investment schemes, which included mostly equity investments in private companies and loans to private entities, would largely also be Level 3 assets. These were in fact marked as Level 2 property assets, but the explanation of the Level 2 property assets valuation included in the Note is specifically describing a Level 3 valuation. Additionally, the methodology described in the Note is not consistent with any of the evidence in the audit file obtained by the auditors as part of the financial assets audit procedures (see above sections of this annexure). The FGMF's disclosure in this Note seems to be trying to demonstrate the fair value of the FGMF's indirect exposure to the different classes of assets by '*looking through*' the	**Paragraph 12** Definitions **<u>ASA 450</u>** **Paragraph 5** Accumulation of Identified Misstatements **Paragraph 11** Evaluating the Effect of Uncorrected Misstatements **<u>ASA 500</u>** **Paragraph 9** Information to be Used as Audit Evidence **<u>ASA 540</u>** **Paragraphs 8 and 10** Key Concepts of this Accounting Standard **Paragraph 13** Risk Assessment Procedures and Related Activities **Paragraphs 20 and 21** Response to the Assessed Risks of Material Misstatement **<u>ASA 700</u>** **Paragraph 6** Objectives **Paragraph 13(c) and (d)**		

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
	direct investment to the underlying assets. However, the disclosure does not make this clear and is therefore misleading. Note 9 also states that "*Independent valuations are conducted at different times throughout the lifetime of the development, where Falcon assesses there have been significant changes in the value of the assets, an external valuation will be undertaken*". However, as set out in the sections above in this table, there had been material changes to the value of assets in FY24. Despite this, there is no reference in Note 9 to external valuations being completed. This is a disclosure breach of the Australian Accounting Standards, specifically: • AASB 7 Financial Instruments: Disclosures paragraphs 25, 27 • AASB 13 Fair Value paragraphs 72, 73, 76, 81, 86, 87, 91, 93.	Forming an Opinion on the Financial Report		
C. Insufficient audit documentation was prepared and/or maintained in breach of auditing standards				
74.	Refer to rows 14, 17, 20, 21, 22, 24, 26, 27, 31, 32, 33, 35 42, 43, 44, 46, 55, 60, 61, 62, 63, 66, 68, 69, and 70 of section B of this annexure.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained	Refer to rows 14, 17, 20, 21, 22, 24, 26, 27, 31, 32, 33, 35 42, 43, 44, 46, 55, 60, 61, 62, 63, 66, 68, 69, and 70 of section B of this annexure.	**ASA 230** **Paragraph 8** Documentation of the Audit Procedures and Audit Evidence Obtained
75.	Refer to rows 65 and 71 of Section B of this annexure.	**ASA 230** **Paragraph 9** Documentation of the Audit Procedures and Audit Evidence Obtained	Refer to rows 65 and 71 of Section B of this annexure.	**ASA 230** **Paragraph 9** Documentation of the Audit Procedures and Audit Evidence Obtained
D. Insufficient audit evidence was obtained in breach of auditing standards				

ANNEXURE D
FY24 Financial Audit

I Row	II Particulars of breach	III Auditing standard breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Auditing standard relevant to reasonable steps
76.	Refer to rows 12, 13, 14, 19, 22, 23, 24, 25, 26, 27, 28, 29, 30, 33, 35, 36, 37, 38, 39, 40, 41, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 62, 68, 69, and 70 of Section B of this annexure.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence	Refer to rows 12, 13, 14, 19, 22, 23, 24, 25, 26, 27, 28, 29, 30, 33, 35, 36, 37, 38, 39, 40, 41, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 62, 68, 69, and 70 of Section B of this annexure.	**ASA 500** **Paragraph 6** Sufficient Appropriate Audit Evidence
77.	Refer to rows 26, 28, 29, 30, 36, 37, 38, 39, 47, 49, 50, 51, 52, and 54 of Section B of this annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence	Refer to rows 26, 28, 29, 30, 36, 37, 38, 39, 47, 49, 50, 51, 52, and 54 of Section B of this annexure.	**ASA 500** **Paragraph 7** Information to be Used as Audit Evidence
78.	Refer to rows 26, 27, 48 and 53 of Section B of this annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence	Refer to rows 26, 27, 48 and 53 of Section B of this annexure.	**ASA 500** **Paragraph 8** Information to be Used as Audit Evidence
79.	Refer to rows 19, 22, 26, 33, 38, 40, 44, 59, 70, and 73 of Section B of this annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence	Refer to rows 19, 22, 26, 33, 38, 40, 44, 59, 70, and 73 of Section B of this annexure.	**ASA 500** **Paragraph 9** Information to be Used as Audit Evidence
80.	Refer to rows 26, 39, and 59 of Section B of this annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence	Refer to rows 26, 39, and 59 of Section B of this annexure.	**ASA 500** **Paragraph 11** Inconsistency in, or Doubts over Reliability of, Audit Evidence
81.	Refer to rows 19 and 28 of Section B of this annexure.	**ASA 500** **Paragraph A25** Sufficient Appropriate Audit Evidence	Refer to rows 19 and 28 of Section B of this annexure.	**ASA 500** **Paragraph A25** Sufficient Appropriate Audit Evidence

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

Compliance plan in place for each relevant financial year	
FY20	Compliance Plan dated 8 August 2019
FY21	Compliance Plan dated 8 August 2019
FY22	Compliance Plan dated 8 August 2019 and Compliance Plan dated 9 December 2021
FY23	Compliance Plan dated 9 December 2021
FY24	Compliance Plan dated 1 July 2023

Details of Australian Standards on Assurance Engagements (ASAEs) referenced in Annexure E			
ASA	**Title**	**Compilation date**	**Operative date**
ASAE 3100	Compliance Engagements	1 January 2018	For financial reporting periods beginning on or after 1 January 2018 but before 15 December 2022
		15 December 2022	For financial reporting periods beginning on or after 15 December 2022

(a) Inadequacies in respect of audit planning for the FY20 Compliance Plan Audit

I Row	II Particulars of breach	III Assurance standard(s) breached (Standard, paragraph number, topic area)	IV Steps of a reasonable and prudent auditor	V Assurance standard relevant to reasonable steps
Audit planning was inadequate and in breach of assurance standards				
1.	In the auditors' FY20 compliance plan workpaper, 5 audit steps are set out in respect of the heading 'Planning and Understanding the Entity'. Each of these steps were ticked as 'Done', and the only comment noted in respect of each step was 'Reviewed'. No other steps were documented. The auditors therefore did not adequately document: (a) that they had obtained an understanding of the compliance requirements; or (b) any understanding of relevant compliance requirements; or (c) any identification or assessment undertaken as to key non-compliance risks, or any controls identified to manage the risk of non-compliance.	<u>**ASAE 3100**</u> **Paragraph 32R** Planning and Performing the Engagement **Paragraph 66** Documentation	A reasonable and prudent auditor ought to have performed and documented the following procedures: (a) details of how the auditor obtained an understanding of the compliance framework (i.e. recording details of the enquiries undertaken, documents/policies reviewed, and/or controls observed); and (b) identification and documentation of areas of heightened risk of non-compliance, including whether a risk of fraud existed.	<u>**ASAE 3100**</u> **Paragraphs 32R, 33, A30, A32** Planning and Performing the Engagement

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

(b) Inadequacies in respect of design and carrying out of audit procedures for the FY20, FY21, FY22, FY23, FY24 Compliance Plan Audits

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
Inadequacy of audit procedures designed and carried out relevant to all financial years		
1.	In respect of the compliance plan audit workpaper checklist for each financial year (i.e. FY20, FY21, FY22, FY23, FY24), the auditors marked steps as "done". However, the auditors did not document how they had completed each step in the checklist and the basis on which the auditor formed the conclusion of "done".	**ASAE 3000** **Paragraph 66** Documentation **ASAE 3100** **Paragraph 79** Preparing the Assurance Report
2.	The documents included in the audit file for each financial year (i.e. FY20, FY21, FY22, FY23, FY24) (**Compliance Plan Audit File Evidence**) identify that the auditors had copies (either as standalone documents, or as part of other documents such as quarterly risk and compliance reports) of all of the FGMF's: (i) breach registers; (ii) complaints registers; (iii) concerns registers; and (iv) conflicts of interest registers. However, the Compliance Plan Audit File Evidence contains no evidence that the auditors evaluated these registers for each relevant financial year. Further, numerous complaints and concerns were included in these registers and there is no evidence in the Compliance Plan Audit File Evidence to suggest that the auditors evaluated their impact on the FGMF's compliance requirements.	**ASAE 3000** **Paragraphs 37 and 38** Professional Scepticism, Professional Judgement, and Assurance Skills and Techniques **Paragraph 48R** Obtaining Evidence **ASAE 3100** **Paragraph 29** Professional Scepticism, Professional Judgement and Assurance Skills and Techniques **Paragraph 33** Planning and Performing the Engagement Planning **Paragraph 44R** Obtaining Evidence
3.	The Compliance Plan Audit File Evidence contains no evidence to suggest that the auditors assessed the compliance plan's compliance with Part 5C.4 of the *Corporations Act 2001* (Cth).	**ASAE 3000** **Paragraph 46R** Planning and Performing the Engagement **Paragraph 79** Documentation

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
		ASAE 3100 **Paragraph 32R** Planning and Performing the Engagement **Paragraph 60** Preparing the Assurance Report
4.	The Compliance Plan Audit File Evidence contains no evidence to suggest that the auditors performed substantive procedures to confirm compliance activities. Rather, the Compliance Plan Audit File Evidence shows the auditors relied significantly on enquiries made with Falcon Capital Limited (the responsible entity for the FGMF).	**ASAE 3000** **Paragraph 79** Documentation **ASAE 3100** **Paragraphs 43R, 44R** Obtaining Evidence
5.	The Compliance Plan Audit File Evidence shows the auditors relied significantly on a quarterly compliance checklist prepared by the FGMF. That level of reliance was inappropriate in circumstances where a document prepared by the FGMF cannot be utilised to eliminate entirely the auditors' direct testing of compliance activities.	**ASAE 3000** **Paragraph 37** Professional Scepticism, Professional Judgement, and Assurance Skills and Techniques **Paragraph 79** Documentation **ASAE 3100** **Paragraph 29** Professional Scepticism, Professional Judgement and Assurance Skills and Techniques **Paragraphs 43R, 44R** Obtaining Evidence
6.	The compliance plans of the FGMF for each financial year (i.e. FY20, FY21, FY22, FY23, FY24) contain references to external service providers and custodians. However: (a) The Compliance Plan Audit File Evidence contains no evidence to suggest that the auditors investigated the representations, in the compliance plans, that these purported external service providers and custodians were in fact engaged by the FGMF in relation to compliance activities for the compliance plan. (b) The Compliance Plan Audit File Evidence contains no evidence to suggest that the FGMF in fact engaged external services providers.	**ASAE 3000** **Paragraph 37** Professional Scepticism, Professional Judgement, and Assurance Skills and Techniques **Paragraph 79** Documentation

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(c) If the FGMF in fact engaged such external service providers, the Compliance Plan Audit File Evidence contains no evidence providing details of any role those providers performed in relation to the FGMF's compliance activities.	**<u>ASAE 3100</u>** **Paragraph 29** Professional Scepticism, Professional Judgement and Assurance Skills and Techniques **Paragraph 44R** Obtaining Evidence
7.	The Compliance Plan Audit File Evidence shows that significant components of the relevant compliance plans had not been mentioned or considered in their entirety by the auditors. See rows 8, 9, and 11 of section (b) of this annexure for further detail.	**<u>ASAE 3000</u>** **Paragraph 46R** Planning and Performing the Engagement **Paragraphs 48R and 50** Obtaining Evidence **Paragraph 79** Documentation **<u>ASAE 3100</u>** **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence **Paragraph 66** Documentation
Additional inadequacies of audit procedures designed and carried out relevant to FY20		
8.	The Compliance Plan Audit File Evidence shows there were significant components of the compliance plan that were not mentioned or considered at all by the auditors. The Compliance Plan Audit File Evidence shows that, of the 25 components of the compliance plan, the auditors: (a) fully considered only 1 component of the compliance plan, being section 6.1 relating to the Compliance Committee; (b) partially considered 3 components of the compliance plan, being: (i) section 6.2 - 'Review and Amendment of the Compliance Plan';	**<u>ASAE 3100</u>** **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(ii) section 6.3 - 'General AFSL conditions and obligations under the Act, Constitution, and Compliance Plan'; and (iii) section 6.6 - 'Human Resources'; (c) did not consider the remaining 21 components of the compliance plan, being: (i) section 6.4 - 'Financial Resources'; (ii) section 6.5 - 'Technology Resources'; (iii) section 6.7 - 'Appointment and Monitoring of Service Providers'; (iv) section 6.8 - 'Custodial Activities'; (v) section 6.9 - 'Fund Accounting'; (vi) section 6.10 - 'Unit Registry'; (vii) section 6.11 - 'Fees and Expenses'; (viii) section 6.12 - 'Investment Management Activities'; (ix) section 6.13 - 'Promotion of Fund'; (x) section 6.14 - 'Investor Communication'; (xi) section 6.15 - 'Financial Reporting'; (xii) section 6.16 - 'Document Storage'; (xiii) section 6.17 - 'Incidents, Issues and Breaches'; (xiv) section 6.18 - 'Complaints'; (xv) section 6.19 - 'Conflicts of Interest'; (xvi) section 6.20 - 'Related Parties'; (xvii) section 6.21 - 'Investor Meetings'; (xviii) section 6.22 - 'Fund Constitution'; (xix) section 6.23 - 'Fund'; (xx) section 6.24 - 'Retirement of the Responsible Entity'; and (xxi) section 6.25 - 'Unit Pricing'.	**Paragraph 66** Documentation
Additional inadequacies of audit procedures designed and carried out relevant to FY21		
9.	The Compliance Plan Audit File Evidence shows there were significant components of the compliance plan that were not mentioned or considered at all by the auditors. The Compliance Plan Audit File Evidence shows that, of the 25 components of the compliance plan, the auditors: (a) fully considered only 1 component of the compliance plan, being section 6.1 relating to the Compliance Committee; (b) partially, but inadequately, considered 3 components of the compliance plan, being: (i) section 6.2 - 'Review and Amendment of the Compliance Plan'; (ii) section 6.3 - 'General AFSL conditions and obligations under the Act, Constitution, and Compliance Plan'; and (iii) section 6.6 - 'Human Resources'; (c) did not consider the remaining 21 components of the compliance plan, being: (i) section 6.4 - 'Financial Resources'; (ii) section 6.5 - 'Technology Resources';	<u>**ASAE 3100**</u> **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence **Paragraph 66** Documentation

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(iii) section 6.7 - 'Appointment and Monitoring of Service Providers'; (iv) section 6.8 - 'Custodial Activities'; (v) section 6.9 - 'Fund Accounting'; (vi) section 6.10 - 'Unit Registry'; (vii) section 6.11 - 'Fees and Expenses'; (viii) section 6.12 - 'Investment Management Activities'; (ix) section 6.13 - 'Promotion of Fund'; (x) section 6.14 - 'Investor Communication'; (xi) section 6.15 - 'Financial Reporting'; (xii) section 6.16 - 'Document Storage'; (xiii) section 6.17 - 'Incidents, Issues and Breaches'; (xiv) section 6.18 - 'Complaints'; (xv) section 6.19 - 'Conflicts of Interest'; (xvi) section 6.20 - 'Related Parties'; (xvii) section 6.21 - 'Investor Meetings'; (xviii) section 6.22 - 'Fund Constitution'; (xix) section 6.23 - 'Fund'; (xx) section 6.24 - 'Retirement of the Responsible Entity'; and (xxi) section 6.25 - 'Unit Pricing'.	
Additional inadequacies of audit procedures designed and carried out relevant to FY22		
10.	The Compliance Plan Audit File Evidence contains no evidence that the auditors gave consideration to the fact that there were two compliance plans in place and operative during FY22, being the Compliance Plan dated 8 August 2019 and the Compliance Plan dated 9 December 2021.	**ASAE 3000** **Paragraph 48R** Obtaining Evidence **ASAE 3100** **Paragraphs 39, 42** Obtaining Evidence
11.	The Compliance Plan Audit File Evidence shows there were significant components of the compliance plan that were not mentioned or considered at all by the auditors. The Compliance Plan Audit File Evidence shows that, of the 25 components of the compliance plan, the auditors: (a) fully considered only 3 components of the compliance plan, being: (i) section 6.1 - 'Compliance Committee'; (ii) section 6.8 - 'Custodial Activities'; and (iii) section 6.17 - 'Incidents, Issues and Breaches'; (b) partially, but inadequately, considered 7 components of the compliance plan, being: (i) section 6.2 - 'Review and Amendment of the Compliance Plan'; (ii) section 6.3 - 'General AFSL conditions and obligations under the Act, Constitution, and Compliance Plan'; (iii) section 6.4 - 'Financial Resources';	**ASAE 3100** **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence **Paragraph 66** Documentation

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(iv) section 6.5 - 'Technology Resources'; (v) section 6.6 - 'Human Resources'; (vi) section 6.18 - 'Complaints'; (vii) section 6.19 - 'Conflicts of Interest'; (c) did not consider the remaining 15 components of the compliance plan, being: (i) section 6.7 - 'Appointment and Monitoring of Service Providers'; (ii) section 6.9 - 'Fund Accounting'; (iii) section 6.10 - 'Unit Registry'; (iv) section 6.11 - 'Fees and Expenses'; (v) section 6.12 - 'Investment Management Activities'; (vi) section 6.13 - 'Promotion of Fund'; (vii) section 6.14 - 'Investor Communication'; (viii) section 6.15 - 'Financial Reporting'; (ix) section 6.16 - 'Document Storage'; (x) section 6.20 - 'Related Parties'; (xi) section 6.21 - 'Investor Meetings'; (xii) section 6.22 - 'Fund Constitution'; (xiii) section 6.23 - 'Fund'; (xiv) section 6.24 - 'Retirement of the Responsible Entity'; and (xv) section 6.25 - 'Unit pricing'.	
Additional inadequacies of audit procedures designed and carried out relevant to FY23		
12.	The relevant compliance plan for the entirety of FY23 was the plan dated 9 December 2021. However, the Compliance Plan Audit File Evidence does not include this compliance plan. As such, there is no evidence to suggest that the correct compliance plan was being audited for FY23.	**ASAE 3000** **Paragraph 48R** Obtaining Evidence **ASAE 3100** **Paragraphs 39, 42** Obtaining Evidence
13.	The Compliance Plan Audit File Evidence shows there were significant components of the compliance plan that were not mentioned or considered at all by the auditors. The Compliance Plan Audit File Evidence shows that, of the 25 components of the compliance plan, the auditors: (a) fully considered 3 components of the compliance plan, being: (i) section 6.1 - 'Compliance Committee'; (ii) section 6.8 - 'Custodial Activities'; and (iii) section 6.17 - 'Incidents, Issues and Breaches'; (b) partially, but inadequately, considered 6 components of the compliance plan, being: (i) section 6.2 - 'Review and Amendment of the Compliance Plan'; (ii) section 6.4 - 'Financial Resources';	**ASAE 3100** **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence **Paragraph 66** Documentation

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(iii) section 6.5 - 'Technology Resources'; (iv) section 6.6 - 'Human Resources'; (v) section 6.18 - 'Complaints'; (vi) section 6.19 - 'Conflicts of Interest'; (c) did not consider the remaining 15 components of the compliance plan, being: (i) section 6.3 - 'General AFSL conditions and obligations under the Act, Constitution, and Compliance Plan'; (ii) section 6.7 - 'Appointment and Monitoring of Service Providers'; (iii) section 6.9 - 'Fund Accounting'; (iv) section 6.10 - 'Unit Registry'; (v) section 6.11 - 'Fees and Expenses'; (vi) section 6.12 - 'Investment Management Activities'; (vii) section 6.13 - 'Promotion of Fund'; (viii) section 6.14 - 'Investor Communication'; (ix) section 6.15 - 'Financial Reporting'; (x) section 6.16 - 'Document Storage'; (xi) section 6.20 - 'Related Parties'; (xii) section 6.21 - 'Investor Meetings'; (xiii) section 6.22 - 'Fund Constitution'; (xiv) section 6.23 - 'Fund'; and (xv) section 6.24 - 'Retirement of the Responsible Entity'.	
Additional inadequacies of audit procedures designed and carried out relevant to FY24		
14.	The Compliance Plan Audit File Evidence shows there were significant components of the compliance plan that were not mentioned or considered at all by the auditors. The Compliance Plan Audit File Evidence shows that the auditors: (a) fully considered 3 components of the compliance plan, being: (i) section 6.1 - 'Compliance Committee'; (ii) section 6.8 - 'Custodial Activities'; and (iii) section 6.17 - 'Incidents, Issues and Breaches'; (b) partially, but inadequately, considered 6 components of the compliance plan, being: (i) section 6.2 - 'Review and Amendment of the Compliance Plan'; (ii) section 6.4 - 'Financial Resources'; (iii) section 6.5 - 'Technology Resources'; (iv) section 6.6 - 'Human Resources'; (v) section 6.18 - 'Complaints'; (vi) section 6.19 - 'Conflicts of Interest'; (c) did not consider the remaining 15 components of the compliance plan, being: (vii) section 6.3 - 'General AFSL conditions and obligations under the Act, Constitution, and Compliance Plan'; (viii) section 6.7 - 'Appointment and Monitoring of Service Providers'; (ix) section 6.9 - 'Fund Accounting'; (x) section 6.10 - 'Unit Registry';	**<u>ASAE 3100</u>** **Paragraph 32R** Planning and Performing the Engagement **Paragraphs 43R, 44R, 45R** Obtaining Evidence **Paragraph 66** Documentation

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

I Row	II Particulars of breach	III Assurance standard breached (Standard, paragraph number, topic area)
	(xi) section 6.11 - 'Fees and Expenses'; (xii) section 6.12 - 'Investment Management Activities and Product Design'; (xiii) section 6.13 - 'Promotion of Fund and Distribution Obligations'; (xiv) section 6.14 - 'Investor Communication'; (xv) section 6.15 - 'Financial Reporting'; (xvi) section 6.16 - 'Document Storage'; (xvii) section 6.20 - 'Related Parties'; (xviii) section 6.21 - 'Investor Meetings'; (xix) section 6.22 - 'Fund Constitution'; (xx) section 6.23 - 'Fund'; and (xxi) section 6.24 - 'Retirement of the Responsible Entity'.	
Insufficient audit documentation was prepared and maintained in breach of auditing standards		
15.	Refer to row 1 of section (a), and rows 7, 9, 11, 13 and 14 of section (b) of this annexure.	**ASAE 3100** **Paragraph 66** Documentation
16.	Refer to row 3 of section (b) of this annexure.	**ASAE 3100** **Paragraph 60** Preparing the Assurance Report
Insufficient audit evidence was obtained in breach of auditing standards		
17.	Refer to rows 2, 10 and 12 of section (b) of this annexure.	**ASAE 3000** **Paragraph 48R** Obtaining Evidence - Reasonable Assurance
18.	Refer to row 1 of section (a), and rows 2, 3, 7, 8, 9, 11, 13 and 14 of section (b) of this annexure.	**ASAE 3100** **Paragraph 32R** Planning and Performing the Engagement
19.	Refer to row 2 of section (b) of this annexure.	**ASAE 3100** **Paragraph 33** Planning and Performing the Engagement Planning
20.	Refer to rows 2, 4, 5, 6, 7, 8, 9, 10, 13 and 14 of section (b) of this annexure.	**ASAE 3100** **Paragraphs 39, 42, 43R, 44R, 45R** Obtaining Evidence

(c) The steps of a reasonable and prudent auditor

1. In designing and carrying out the audit procedures for a compliance plan audit a reasonable and prudent auditor should:

ANNEXURE E
Compliance Plan audits for FY20, FY21, FY22, FY23, FY24

(a) Identify the relevant compliance plan(s) that were operating during the financial year.
(b) For each compliance plan that was active during the year, review the compliance plan against the requirements of Part 5C.4 of the Corporations Act.
(c) In reviewing the compliance plan(s) active during the year, undertake the following steps:
  (i) Identify and assess the risk of each compliance activity in the compliance plan. There will be some compliance activities that are higher risk than others.
  (ii) Identify the controls that the compliance plan states for each compliance activity.
  (iii) Determine the nature, timing and extent of testing required for each compliance activity to ensure sufficient evidence is obtained to conclude whether the Responsible Entity maintained compliance with its compliance plan for the year.
  (iv) Perform testing on each compliance activity in the compliance plan, which may include enquiries with personnel, observation of compliance activities, reperformance of a sample of compliance activities, or examination of evidence that a compliance control occurred.
  (v) Evaluate whether any non-compliance identified is material.
  (vi) Form a conclusion on the sufficiency and appropriateness of the evidence obtained.

2. In the case of a registered managed investment scheme with a significant number of retail investors, a reasonable and prudent auditor would assess, as the highest risk, those compliance activities that would have the largest potential impact on investors if non-compliance was to occur, including in respect of unit pricing / unit registry activities, conflicts of interest, related parties, valuation of investments, fees and breaches/complaints management, and assess compliance in these areas throughout the year.