

**Appendix 3**

(Ref: Para. 73)

**SELF-MANAGED SUPERANNUATION FUND GOVERNING RULES  
PRELIMINARY UNDERSTANDING CHECKLIST**

*In obtaining a preliminary understanding of the SMSF, as part of the planning process, the auditor examines the trust deed or other document that contains the fund's governing rules to obtain a sound understanding of the trustee structure, requirements of the deed and the powers vested in the trustees. The following suggested procedures are examples only and should be reviewed and adapted for the specific circumstances and audit risks associated with each SMSF audit engagement.*

*The auditor exercises professional judgement and due care in interpreting the provisions of the trust deed. If the auditor is unsure of the meaning or interpretation of a clause, provision or section of the deed, then the auditor may seek the advice of an experienced superannuation lawyer.*

<b>Ref</b>	<b>Questions to be addressed in examining the trust deed</b>
<b>A</b>	<b>ESTABLISHMENT AND EXECUTION</b>
<b>A.1</b>	Is the date of establishment of the SMSF recorded?
<b>A.2</b>	Has the trust deed been: <ul style="list-style-type: none"> <li>• Properly executed?</li> <li>• Signed by all the members who are individual trustees?</li> <li>• Witnessed?</li> <li>• Dated?</li> <li>• Stamped (if required)?</li> </ul>
<b>A.3</b>	Do the rules incorporate the SISA, SISR and applicable taxation rules?
<b>A.4</b>	Does the deed outline the core and ancillary purposes of the SMSF?
<b>A.5</b>	Does the deed require an irrevocable election to be made to be a regulated superannuation fund or a fund subject to the SISA and SISR?
<b>A.6</b>	Does the deed have a clause which deems the appropriate legislation into or out of the deed to allow the SMSF to remain complying?
<b>B</b>	<b>AMENDMENTS TO THE DEED</b>
<b>B.1</b>	Does the deed allow amendments?
<b>B.2</b>	Has the trust deed been amended since the last audit? If so: <ul style="list-style-type: none"> <li>• Has the deed amendment been properly executed?</li> <li>• Is confirmation of the deed's compliance with SISA and SISR required from the solicitor or other party involved in the amendment?</li> <li>• Is the amendment signed off by the current trustees?</li> <li>• Could the amendments impact the audit?</li> </ul>
<b>C</b>	<b>TRUSTEE AND MEMBERSHIP</b>
<b>C.1</b>	Does the trust deed specify who may be a trustee? Either: <ul style="list-style-type: none"> <li>• Two or more individual trustees; or</li> <li>• A trustee company.</li> </ul>
<b>C.2</b>	Does the deed specifically identify the trustee as either individuals or a corporate entity?
<b>C.3</b>	Are all individual trustees or directors of the trustee company required to be members?

**Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds**

<b>Ref</b>	<b>Questions to be addressed in examining the trust deed</b>
<b>C.4</b>	Does the deed permit members to be <ul style="list-style-type: none"> <li>• A non-working spouse?</li> <li>• A retired person?</li> <li>• A child?</li> </ul>
<b>C.5</b>	Does the deed limit the maximum number of members to 4 members?
<b>C.6</b>	Is membership open to anyone else?
<b>C.7</b>	Do the members of the SMSF meet the definitions? <ul style="list-style-type: none"> <li>• No member of the SMSF is an employee of another member, unless related.</li> <li>• No trustee receives remuneration for their services to the SMSF in their capacity as trustee.</li> </ul>
<b>C.8</b>	Does the trust deed contain the trustee covenants in s.52B of the SISA?
<b>D</b>	<b>AUDIT AND FINANCIAL REPORTS</b>
<b>D.1</b>	Does the trust deed require the appointment of an approved SMSF auditor?
<b>D.2</b>	Does the trust deed require the trustees to prepare a financial report annually and for it to be audited?
<b>D.3</b>	If a new fund or, deed has been amended, from 1 July 2021 does the deed specify that the financial report is to be prepared in accordance with the AAS? If so, the fund is required to prepare GPFR.
<b>D.4</b>	Does the trust deed require the trustees to keep the minutes and records of trustee decisions for at least 10 years and accounting records and signed financial reports for at least 5 years?
<b>E</b>	<b>CONTRIBUTIONS</b>
<b>E.1</b>	Does the deed allow: <ul style="list-style-type: none"> <li>• Concessional contributions, including:               <ul style="list-style-type: none"> <li>- Employer contributions, including contributions made pursuant to a salary sacrifice agreement?</li> <li>- Member contributions for which a tax deduction is claimed?</li> </ul> </li> <li>• Non-concessional contributions (NCCs), including:               <ul style="list-style-type: none"> <li>- Member contributions for which no tax deduction is claimed?</li> <li>- Eligible spouse contributions?</li> </ul> </li> <li>• Downsizer contribution</li> <li>• Contributions in respect of minors?</li> <li>• Rollovers and transfers in?</li> <li>• Government co-contributions?</li> <li>• Contribution splitting to a spouse?</li> <li>• Contributions by members who are under 65 and not working?</li> <li>• Contributions by members who are working part-time and are over 65 and under 75?</li> <li>• Mandated contributions to be accepted at any age?</li> <li>• Contribution splitting arrangements pursuant to family law matters?</li> <li>• Unused concessional cap carry forward – ‘catch-up contributions’</li> </ul>
<b>E.2</b>	Does the deed allow for <i>in-specie</i> contributions of assets to be made by members or related parties?
<b>E.3</b>	Does the deed permit spouse accounts and may employers make contributions to spouse accounts?
<b>E.4</b>	May excess contributions tax levied on the member be paid by the SMSF, irrespective of preservation rules and conditions of release?
<b>F</b>	<b>BENEFIT PAYMENTS</b>
<b>F.1</b>	Does the SMSF require compulsory cashing of the members balance at a specific age? * Where a trust deed specifies a compulsory cashing event, provided it does not extend the law, it provides authority for the payment. For example, if the deed states that members must commence drawing their accrued benefits from age 65, all members who are at least 65 years of age should be in receipt of a benefit.
<b>F.2</b>	Does the SMSF require a lump sum benefit to be paid in lieu of a pension?
<b>F.3</b>	Does the deed provide for members to make death benefit nominations?
<b>F.4</b>	Does the deed provide authority between death benefit nominations and reversionary pensions?

**Guidance Statement GS 009 *Auditing Self-Managed Superannuation Funds***

<b>Ref</b>	<b>Questions to be addressed in examining the trust deed</b>
<b>F.5</b>	Does the deed include specific provisions relating to the payment of death benefits?
<b>G</b>	<b>PENSIONS</b>
<b>G.1</b>	Does the deed expressly allow for payment of pensions by the SMSF, including*: <ul style="list-style-type: none"> <li>• Account based pensions.</li> <li>• TRIS, including the auto conversion to a retirement phase TRIS following a nil cashing restriction trigger event.</li> <li>• Reversionary beneficiaries to be nominated.</li> <li>• Allocated pensions.</li> <li>• Term allocated or market linked or growth pensions.</li> <li>• Non-complying lifetime or fixed term pensions.</li> </ul> * This list includes a number of pensions which may no longer be permitted but, if already established, may continue being paid.
<b>G.2</b>	Does the deed allow for commutation of a pension?
<b>G.3</b>	Does the deed allow for the segregation of assets to meet pension requirements?
<b>G.4</b>	Does the deed make reference to nominated beneficiaries?
<b>H</b>	<b>RESERVES (If applicable)</b>
<b>H.1</b>	Does the deed provide rules in relation to the establishment, maintenance and operation of SMSF Reserves?
<b>H.2</b>	Does the deed require different or parallel investment strategies for each reserve account?
<b>I</b>	<b>INVESTMENTS</b>
<b>I.1</b>	Does the deed provide powers to the trustees to invest the assets of the SMSF?
<b>I.2</b>	Does the deed specify specific assets/asset classes in which the SMSF may invest?
<b>I.3</b>	Does the deed prevent investments in, or loans to, related parties?
<b>I.4</b>	Does the deed require an investment strategy to be formulated, regularly reviewed, and given effect?
<b>I.5</b>	Does the deed require the investment strategy to consider if insurance is relevant to the members of the fund?
<b>J</b>	<b>BORROWINGS</b>
<b>J.1</b>	Does the deed prohibit borrowings?
<b>J.2</b>	Does the deed permit borrowing in specific circumstances, including: <ul style="list-style-type: none"> <li>• Temporary borrowings which are required for the payment of member benefits, short term settlement of securities or superannuation contributions surcharges (no longer levied)?</li> <li>• Borrowings for limited recourse borrowing arrangements?</li> </ul>
<b>K</b>	<b>WINDING-UP</b>
<b>K.1</b>	Does the deed provide for the winding-up of the SMSF?