

# Financial powers and reporting obligations

## Legal information for Queensland community organisations

### This fact sheet covers:

- ▶ who is responsible for overseeing your association's finances
- ▶ what are the requirements for preparing financial information, including auditing
- ▶ what kind of financial information needs to be provided at your associations' annual general meeting
- ▶ what financial information needs to be provided to the Queensland Office of Fair Trading
- ▶ what financial records must your association keep

**Incorporated associations in Queensland and their management committees must comply with the financial reporting and management requirements set out in the *Associations Incorporation Act 1981 (Qld) (the Act)* and the *Associations Incorporation Regulation 1999 (QLD) (the Regulation)*.**

This fact sheet explains what those requirements are and is general information only. Your association may need to seek specific advice.



### Note

On 16 June 2020 the Queensland parliament passed the *Associations Incorporation and Other Legislation Amendment Act 2019 (Amendment Act)*. The Amendment Act amends the *Associations Incorporation Act 1981 (Act)* by (among other things):

- exempting associations registered with the Australian Charities and Not-for-Profits Commission (ACNC) from Queensland Government reporting requirements. (This means these associations will not have to submit annual financial reports to both a Commonwealth and state regulator)
- providing for use of communications technology in meetings
- allowing associations to voluntarily cancel their incorporation in certain circumstances
- clarifying the role of management committees and duties of committee members, and
- improving the internal governance of associations by providing that associations must follow a grievance procedure

The Queensland Government plans to implement these changes before the reporting deadlines for the 2020-21 reporting period. At 20 June 2020, regulations for the Amendment Act had not yet been published.

We are updating this fact sheet. In the meantime, if you are unsure about your association's position in Queensland, you may want to seek legal advice. Your association may be eligible for free legal advice through Justice Connect – [contact us to find out](#).

## Who is responsible for overseeing our association's finances?

Each member of the management committee (sometimes referred to as the committee of management or board) of an incorporated association is jointly responsible for managing the finances of the association. This means all committee members should understand the association's financial obligations and participate in making decisions about your association's finances.

## What powers and duties do members of a management committee have over an association's finances?

The committee of management of an incorporated association usually has broad powers relating to the association's finances.

Committee members of an incorporated association must comply with a range of duties under the Act and the Regulations as well as the association's rules, which include duties concerning the finances of the association.

Under the Act, each committee member of an incorporated association is considered an agent of the association for all purposes within its objects. This means that a member of a management committee owes the association duties under both the Act and the common law (judge-made law) including:

- to keep accounts to all transactions of the association and to be prepared to make all relevant information available to it
- not to put his or her duty as a committee member in conflict with his or her personal interest without the association's consent
- not to personally receive a profit at the expense of the association without the association's consent, and
- to exercise the degree of care, skill and diligence reasonably accepted in the given circumstances

Incorporated associations can restrict or amend committee members' powers through the rules of the association, as long as the restriction or amendment is not contrary to law. For example, the rules may require that members must approve the association's annual membership fee, or the association's investment plans be agreed to at a general meeting.



### Note

The rules (constitution) of an incorporated association must state the functions of the committee (see Schedule 3 of the Regulation). An association's rules will often state that the management committee must manage and control the business and affairs of the association. Check whether your association's rules limit the powers of the committee of management.

An incorporated association that is registered as a charity with the Australian Charities and Not-for-profits Commission (the **ACNC**), will also need to comply with the ACNC's Governance Standards. These Governance Standards impose specific duties on committee members, for example, a duty to ensure that the financial affairs of the charity are managed responsibly. For more information about the duties of committee members under the Governance Standards, go to Not-for-profit Law's [Governance resources](#).

## Can't we just leave all this financial stuff to the Treasurer?

No – the law is clear that all members of the committee are responsible for managing the association's finances, not just the treasurer.

The treasurer (or financial officer – or whatever other name is given to the position) is generally charged with the task of ensuring that financial transactions are properly recorded and reported on. The treasurer usually presents financial reports at committee meetings. It is important that these reports are easily understood by all the committee members because the committee members are all responsible for keeping a check on the finances of the association.



While the treasurer may not be able to do all the regular financial tasks personally, it is the responsibility of the treasurer to ensure that good systems are in place to allow these tasks to be properly and consistently completed (for example by employees of the association).

Other tasks for the treasurer may include:

- making sure finances are well planned by preparing an annual budget and then regularly monitoring this budget to make sure that the association is staying within it
- making sure that the accounting books and records are up to date and in order – there must be a proper record of all payments made and money received, and accounts should be reconciled at least once a month
- taking reasonable steps to prevent funds from being stolen or misused, and
- ensuring that records are easily accessible so that a financial statement can be prepared (and, if necessary, reviewed or audited) at the end of the year

## What are the requirements for preparing and reporting your association's financial information?

Incorporated associations must keep adequate records that correctly record and explain its transactions and financial position, enable a **'financial statement'** to be prepared, and enable the financial statement to be properly and conveniently audited if required.

Financial statements must include:

- the association's income and expenditure during the financial year
- the association's assets and liabilities as at the end of the financial year, and any mortgages, charges and securities affecting the association's property as at the end of the financial year



### Caution

The Regulations require payments made by the incorporated association of more than \$100 be made by cheque or electronic transfer. Payments of less can be made by petty cash and must be recorded in the petty cash book.

If your association is using the Model Rules then it will need to comply with Rule 45 which states that payments made by the association of \$100 or more **must** be made by cheque or electronic funds transfer and that cheques for payments of more than \$100 need to be signed by any two people holding the position of president, secretary, treasurer or a person authorised by the management committee to sign cheques issued by the association.

## What are the requirements around carrying out an audit?

An incorporated association's audit obligations depend on its 'Level'.

- **Level 1** incorporated associations have current assets or total revenue of more than \$100,000
- **Level 2** incorporated associations are those which are neither a Level 1 incorporated association nor Level 3 incorporated association
- **Level 3** incorporated associations are those with current assets and total revenue below \$20,000

In addition, if the incorporated association is a charity or has a community purpose with reporting and audit obligations under the *Collections Act 1966* (Qld) or operates gaming (eg. poker) machines under the *Gaming Machine Act 1991* (Qld) or is otherwise required to have an audit conducted by any law, then they are treated as a **Level 1** incorporated association, regardless of their level of assets or revenue.

**Level 1** incorporated associations must have their financial statements audited within 6 months of the end of the association's financial year and those statements and an audit report must also be submitted to the AGM. An audit must be conducted by someone who is:

- a registered company auditor or a firm of registered company auditors, or



- a member of CPA Australia, the Institute of Chartered Accountants, or the Institute of Public Accountants

**Level 2** and **Level 3** incorporated associations do not need to have their financial records audited. However, their financial statements need to be presented to the AGM together with a signed verification statement.

- For a **Level 2** incorporated association, the signed statement needs to be from an auditor, accountant or another person approved by the Office of Fair Trading, and must state that the person has sighted the association's financial records and that the records show that the association has bookkeeping processes in place to adequately record the association's income and expenditure and dealings with its assets and liabilities
- For a **Level 3** incorporated associations are only required to have a statement signed by the association's president or treasurer that states the association keeps financial records in a way that properly records the association's income and expenditure and dealings with its assets and liabilities

## What financial information needs to be presented at your associations Annual General Meeting (AGM)?

At each AGM the management committee must submit the association's financial statements for the previous financial year. The financial statements of certain levels and kinds of incorporated associations must be audited or sighted by a person with a certain qualifications (see above). An incorporated association must hold an AGM within 6 months of end of the association's 'reportable financial year'.

An associations' 'reportable financial year' is:

- if an association is incorporated within 3 months before the end date of a financial year: the first reportable financial year starts on the day of incorporation and ends at the end of the next financial year,
- if an association is incorporated more than 3 months before the end date of the association's financial year: the first reportable financial year starts on the day of incorporation and ends at the end on the financial year



### Example

By way of example:

- under (a) above, an association is incorporated on 1 April 2017 and the end of its financial year is 30 June 2017. Because 1 April 2017 is within three months of 30 June 2017, the incorporated association's financial year is from 1 April 2017 to 30 June **2018**
- under (b) above, an association is incorporated on 1 March 2017 and the end of its financial year is 30 June 2017. Because 1 March is more than 3 months before 30 June 2017, the incorporated association's first financial year is from 1 March 2017 to 30 June **2017**.

Incorporated associations can elect to change their financial year. Incorporated associations should note that if they elect to change their financial year, a reportable financial year cannot be more than 15 months. So, if the new end of financial year date is more than 15 months from the end date of the last financial year, the incorporated association will need to complete its reporting at the end of its old financial year, and the end of its new financial year.

## What financial information needs to be provided to Queensland Office of Fair Trading?

Queensland Office of Fair Trading is the regulator of incorporated associations in Queensland.

All incorporated associations in Queensland must lodge an annual return within one month of the financial statements being presented at the AGM of the association.



### Related resource

Further information on reporting to OFT is available at the OFT [website](#) including a link to the online lodgement [system](#).

The return can be lodged with the chief executive of the Office of Fair Trading online, by post or fax (using a form provided by the OFT) and must include a copy of the financial statement presented at the AGM, signed and dated by the president or treasurer including:

- a profit and loss statement
- a balance sheet
- details of all mortgages, charges and securities that affect any of the incorporated association's property at the end of the year; and
- a copy of the signed audit report or verification statement

If the incorporated association has nothing to report, a statutory declaration to that effect must be completed and lodged with the form.

A penalty will apply under the Act if the reporting requirements are not complied with.

Note also that your incorporated association may be governed by more than one piece of legislation. For example, you will need to consider whether you have reporting or audit obligations under the *Collections Act 1966* or the *Gaming Machine Act 1991*.



### Note

If your incorporated association is a registered charity, it is required to lodge an Annual Information Statement with the ACNC within 6 months of the end of its financial year. Depending on the association's size, it may also need to have its financial reports reviewed or audited. Find out more about charity reporting on Not-for-profit Law's [webpage on this](#).

## What financial records does our association have to keep?

Incorporated associations must keep records which correctly record and explain its financial transactions and financial position. These records are intended to be kept for the preparation of appropriate financial statements. These records must be kept in English.

The Regulations require an incorporated association to keep:

- a cash book or statement of amounts received and paid
- a receipt book of receipt forms
- records of the account the association keeps with a financial institution that are given to the association by the financial institution
- a register of members
- a register of assets
- a petty cash book
- a minute book of the management committee

Failure to comply with the record keeping requirements incurs a penalty.

Financial records must also be kept in the state of Queensland and for a period of seven years.

# Resources

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## Not-for-profit Law resources

▶ [Registering as a charity](#)

This page sets out what a registered charity is and whether your organisation should become a registered charity

▶ [Charity reporting](#)

This page includes information on the reporting requirements for charities

▶ [Governance and legal duties of office holders](#)

This page discusses financial management and the rights and duties of board members

▶ [Holding meetings](#)

This page includes a factsheet on the rules and procedures for calling and holding annual general meetings, special general meetings, committee meetings and meetings where there is a special resolution.

## Other related resources

▶ [Australian Charities and Not-for-profits Commission \(ACNC\)](#)

The [Report annually](#) page of the ACNC website provides information on reporting requirements according to a charity's size.

▶ [Queensland Office of Fair Trading](#)

- This page contains links to pages providing information on financial responsibilities of your organisations including making and lodging an annual return, and how to apply for an extension of time to provide Queensland Office of Fair Trading with annual return.

- [Model Rules](#) – some incorporated associations in Queensland use the 'model rules' in the form of Schedule 4 of the Regulation. You should check your association's rules to determine the financial and reporting requirements for your incorporated association.

▶ [Institute of Chartered Accountants \(ICA\)](#)

The ICA has a range of factsheets on reporting requirements for charities

▶ [Governance Institute of Australia](#)

The Governance Institute has a series of good governance guides, which includes information on financial reporting. They also provide a pro bono program to assist with things like governance audits, board paper templates and annual report preparation. Contact the Governance Institute for their guidelines on when a group is eligible for this free assistance.

▶ [CPA Toolkit](#)

CPA has a toolkit with two guides relevant to not-for-profit management.

▶ [QUT Approving Financial Statements](#)

The Australian Centre for Philanthropy and Nonprofit Studies at the Queensland University of Technology has a resource on nonprofit governance which includes a page on approving financial statements.



## Legislation

- ▶ *Associations Incorporation Act 1981 (Qld)*
- ▶ *Associations Incorporation Regulation 1999 (Qld)*
- ▶ *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*