

# Financial powers and reporting obligations

Legal information for South Australian incorporated organisations

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## This fact sheet covers:

- ▶ who is responsible for an incorporated association's finances
  - ▶ the financial information an incorporated association must prepare and submit to its annual general meeting (**AGM**)
  - ▶ the financial information an incorporated association must provide to Consumer and Business Services (**CBS**)
  - ▶ the financial records an incorporated association must keep
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## This fact sheet sets out the financial reporting obligations of incorporated associations in South Australia.

Incorporated associations in South Australia and their management committees must comply with the financial reporting and management requirements set out in the *Associations Incorporation Act 1985* (SA) (**Act**) and the *Associations Incorporation Regulations 2008* (SA) (**Regulations**).

This information is intended as a guide only and is not legal advice. If your organisation has a specific legal issue, you should seek legal advice before deciding what to do.

## Who is responsible for an incorporated association's finances?

Each member of the committee of management (sometimes referred to as the management committee or board) of an incorporated association is jointly responsible for managing the finances of the association.

This means all committee members need to understand the association's financial obligations and participate in making decisions about the association's finances.

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

The committee 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 has legal duties in relation to the management of the association.



These duties include to:

- not deceive or defraud the association, its members or its creditors, which includes in the recording and reporting of financial information
- not use their position, or information, improperly to gain a monetary benefit for themselves or anyone else
- disclose any monetary interest in a contract or proposed contract (to the committee and at the next annual general meeting, if one is required to be held), and refrain from any decision making in relation to a contract in which they may have a monetary interest, and
- exercise the degree of care, skill and diligence reasonably expected in the 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 approve the association's annual membership fee, or the association's investment plans must be agreed at a general meeting.



### Note

The rules (constitution) of an incorporated association must state the powers of the committee (see section 23A(1) of the Act). An association's rules will often state that the committee of management is responsible for managing and controlling the business and affairs of the association. Check whether your association's rules limit the powers of the committee of management in any way.



### Related Not-for-profit Law resources

For more information about the duties of management committee members, see [our resources on governance](#).

If your incorporated association is registered as a charity with the Australian Charities and Not-for-profits Commission (**ACNC**), committee members must also follow the ACNC's Governance Standards. The directors' duties are outlined in Governance Standard 5. These are broadly the same as those in the Corporations Act and include:

- the duty to act with reasonable care and diligence
- the duty to act honestly and fairly in the best interests of the charity and for its charitable purposes
- the duty not to misuse their position or information they gain as a responsible person (this includes the role of director)
- the duty to disclose and manage any actual or perceived conflicts of interest
- the duty to ensure the charity's financial affairs are managed responsibly, and
- the duty not to allow the charity to operate while it's insolvent



### Related resources

The [ACNC Governance for Good guide](#) explains these standards in more detail.



## 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 or board meetings. It is important that these reports are easily understood by all the committee members because they are all responsible for keeping a check on the financial position 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 association's accounting books and records are up to date and in order – there must be a proper record of all payments made and money received by the association, and accounts should be reconciled at least once a month
- taking reasonable steps to prevent funds from being stolen or misused, and
- ensuring that financial records are easily accessible so that a financial statement can be prepared (and, if necessary, audited) at the end of the year

## What are the requirements for preparing financial information, including auditing?

An incorporated association must keep accounting records that correctly record and explain the transactions of the association and the financial position of the association.

A **prescribed association** must keep its accounting records in a manner that enables:

- the preparation of accounts that fairly present the results of the operations of the association, and
- the accounts of the association to be conveniently and properly audited in accordance with the Act

### What is a prescribed association?

An incorporated association will be classified as a 'prescribed association' if it has gross receipts in a financial year of \$500,000 or more (not including member subscriptions).

After the end of the financial year of the association, the Act requires prescribed associations to:

- prepare accounts in relation to the financial year (and have those accounts audited), and
- attach to those accounts a **statement** made in accordance with a resolution of the committee of the association (and signed by two or more committee members) stating whether or not:
  - the accounts fairly present the results of the association's operations for the financial year and the state of affairs of the association as at the end of the financial year, and
  - the committee has reasonable grounds to believe that the association will be able to pay its debt as and when they fall due



### Note

Associations that are **not prescribed associations** don't have to comply with the above requirements, but committee members of non-prescribed associations should always consider any obligations under their rules or constitution in relation to financial record keeping or reporting, and their other more general duties to manage the association appropriately.

The statement of the committee must also give particulars of a body corporate that is a subsidiary of the association and any trust of which the association is a trustee.

The committee must also prepare a **report** detailing:

- any benefits received by an officer (or a firm of which the officer is a member, or a body corporate in which the officer has a substantial financial interest) as a result of a contract with the prescribed association, and
- any payments or other benefits of a pecuniary value received by officers directly or indirectly from the prescribed association

The audited accounts (including the statement prepared by the committee and the committee report) must be presented at the association's AGM.



### Note

An incorporated association must hold an AGM with 18 months of first incorporating. Then an AGM must be held every 12 months. The AGM must be held:

- for prescribed associations, within six months of the end of the association's financial year; or
- for non-prescribed associations, within five months of the end of the association's financial year

When incorporating, associations can decide when they want their financial year to begin and end (for example, an association could choose for its financial year to end on 30 March instead of 30 June).

## What are the requirements for conducting an audit?

A **prescribed association's** annual accounts must be audited.

The auditor must be independent and be one of the following:

- a registered company auditor or firm of registered company auditors
- a member of the Australian Society of Certified Practising Accountants or The Institute of Chartered Accountants in Australia, or
- someone approved by the Corporate Affairs Commission as an auditor

The accounts of a prescribed association must not be audited by anyone who is:

- an officer
- a partner, employer or employee of an officer
- an employee, or
- a partner or employee of an employee,

of the prescribed association

Associations with less than \$500,000 per year in gross receipts (not including membership subscriptions) do not need to comply with the above auditing requirements.

## What financial information must an incorporated association prepare and submit to its AGM?

**Prescribed associations** (ie. those with \$500,000 in gross annual receipts per year) must present the following documents at their annual general meeting:

- a copy of the audited accounts, including the required statement of the committee stating:
  - whether the accounts fairly represent the association's operations and state of affairs for that financial year, and
  - whether the committee has reasonable grounds to believe that the association will be able to pay its debts as and when they fall due
- a copy of the auditor's report on the accounts, and
- a copy of the required report of the committee disclosing any benefits, monetary or otherwise, gained by an officer or a firm or body corporate of which the officer is a member or has a substantial financial interest.

## What financial information must an incorporated association provide to Consumer and Business Services?

Consumer and Business Services South Australia (**CBS**) is the regulator of incorporated associations in South Australia.

**Prescribed associations** must lodge a 'periodic return' in with CBS within six months after the end of the financial year. A late fee will apply if the return is lodged outside that time. Periodic returns must be signed and dated by the public officer of the association.

Incorporated associations which are not prescribed associations are not required to lodge any periodic returns with CBS.



### Note – registered charities

As a result of changes made to the Act in 2016, if a prescribed association is registered as a charity with the Australian Charities and Not-for-profits Commission (**ACNC**), it is no longer required to submit a periodic return with CBS. Instead, it must submit an Annual Information Statement (**AIS**) to the ACNC.

If your incorporated association is a registered charity, it is required to lodge an Annual Information Statement with the ACNC within six 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 reporting to the ACNC on [our webpage on charity reporting](#).

## What financial records does an incorporated association have to keep?

Financial records need to be kept in a way that enables the preparation of accounts that fairly represent the result of the operations of the association and allow those accounts to be audited.

Generally, financial records should cover:

- details of all incoming and outgoing moneys, including copies of receipts if issued or received, and details of what incoming and outgoing payments were for, and



- details of the association's assets and liabilities (ie. debts)

Prescribed and incorporated associations must retain accounting records for at least seven years after the transactions to which they relate are completed.

# Resources

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## Related Not-for-profit Law resources

The [Not-for-profit Law website](#) has further resources on the following topics:

▶ [Running the organisation](#)

This section contains information and resources on good governance and the internal aspects of running a not-for-profit, including – the roles and legal duties of committee members and office holders, holding meetings, keeping proper records, and using and changing the rules or constitution of a not-for-profit.

▶ [Duties](#)

The Not-for-Profit Law duties guide covers the key legal duties of the people who hold a position on the governing body of an Australian not-for-profit community organisation.

▶ [Meetings](#)

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

▶ [South Australian Government Information and Services](#)

[Forms](#) - CBS provides a number of forms that are relevant for incorporated associations.

[Example Rules](#) – some incorporated associations in South Australia use the 'An Example of Rules for an Incorporated Association' published by CBS while others draft their own. You should check your association's rules to determine the specific requirements for your incorporated association.

▶ [Chartered Accountants ANZ](#)

▶ [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 tools, templates and other resources relevant to not-for-profit management.

▶ [QUT Approving Financial Statements](#)

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

## Legislation

▶ [Associations Incorporation Act 1985 \(SA\)](#)



- ▶ *Associations Incorporation Regulations 2008 (SA)*