

# Financial powers and reporting obligations

Legal information for Victorian incorporated associations

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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 Affairs Victoria (**CAV**)
  - ▶ 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 Victoria.

Victorian incorporated associations and their management committees must comply with the financial reporting and management requirements set out in the *Associations Incorporation Reform Act 2012 (Vic)* (**AIR Act**).

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 management committee (or board) of an incorporated association is jointly responsible for managing the finances of the organisation.

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

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

The management committee (or board) of an incorporated association has powers relating to finances. Management committee members of an incorporated association must comply with duties similar to the duties of directors of a company (under the *Corporations Act 2001 (Cth)*) when making decisions, including decisions about finances.

### Powers

In general, management committee members of an incorporated association are jointly responsible for:

- investing and dealing with the organisation's money that is not immediately required for use by the organisation, as they see fit

- raising or borrowing money as they see fit
- providing securities for loans or debts of the organisation, by granting mortgages, charges or securities upon or over the property of the incorporated association, and
- doing other things that further the achievement of the organisation's purposes by exercising their powers

Incorporated associations can restrict or amend committee members' powers through the rules of the association. For example, the rules may require that members approve investment plans through a vote at a general meeting.



### Note - rules on committee's powers

The rules (constitution) of an incorporated association must state the powers of the committee (see Schedule 1 of the AIR Act). An association's rules will often state that the committee must manage and control the business and affairs of the association. Check whether your association's rules limit the powers of the management committee.

For further guidance on rules, see Consumer Affairs Victoria's published [model rules on the CAV website](#).

### Duties

The AIR Act sets out a range of legal duties that committee members must comply with.

All committee members:

- must exercise reasonable care and skill in managing the affairs of the incorporated association (including the financial affairs)
- must not make improper use of information acquired by virtue of holding their office, to gain an advantage for themselves or to disadvantage the incorporated association
- must exercise their powers in good faith in the best interests of the incorporated association, and for a proper purpose, and
- have a duty to prevent insolvent trading by the incorporated association



### 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 incorporated 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's important that these reports are easily understood by all committee members because they are all responsible for keeping a check on the finances of the organisation.

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 organisation is staying within it
- making sure that the accounting books 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 kind of financial information must an incorporated association prepare and submit to its AGM?

The AIR Act requires an incorporated association to hold an AGM and present a 'financial statement' to the association's members at that meeting. The statement must give a 'true and fair' view of the financial position of the incorporated association during and at the end of its last financial year.

The AIR Act states that the financial statement of an incorporated association must include details of:

- income and expenditure during the last financial year
- assets and liabilities at the end of the last financial year
- all mortgages, charges and securities of any description affecting any of the property of the incorporated association at the end of the last financial year
- any trust, held on behalf of the incorporated association by a person or body other than the incorporated association, in which funds or assets of the incorporated association are placed, and
- the same details for any trust of which the incorporated association is trustee

In addition to the financial statement, other information and forms need to be provided at the AGM including:

- for all tiers – a certificate signed by two members certifying that the financial statement provides a true and fair view of the financial position of the association
- tier two associations must have their financial records 'reviewed' (a lesser standard than an audit) and attach the review to their AGM minutes, and
- tier three associations must have their financial records 'audited' and attach the audit report to their AGM minutes



For tier one associations, members may vote for the financial statement to be 'reviewed' before the AGM. CAV may also direct that the financial statement be reviewed. If a 'review' is requested or directed, the report of the review of the financial statement must be attached to the AGM minutes.



### Note

An incorporated association must hold an AGM within 18 months of first incorporating. After that, an AGM must be held every 12 months, 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).

For all tiers of incorporated associations, a committee member must certify that the financial statement was presented at the AGM.

## How will I know what tier my incorporated association is, and why is it important?

Financial reporting requirements of incorporated associations vary according to their tier classification.

As noted above, tier three associations are subjected to the highest standards of financial reporting and tier two associations are subjected to higher standards of financial reporting than tier one associations.

An Association's tier depends on its annual revenue:

- a tier one association will have a total revenue of less than \$250,000
- a tier two association will have a total revenue of more than \$250,000, but less than \$1,000,000, and
- a tier three association will have a total revenue of more than \$1,000,000



### Caution

All incorporated associations must apply to the Registrar to be declared either a tier one or tier two association. Associations can't simply assume they fall into a tier. All applications to be declared either a tier one or tier two association must be submitted to the registrar within three months of the association's chosen end of financial year.

## What is the difference between a 'review' and an 'audit'?

### Reviews

Tier two associations (and tier one associations where a 'review' is requested or directed) must have their financial records 'reviewed'.

A review must:

- be conducted by an independent person who is a member of, and holder of a current practising certificate issued by, either CPA Australia, the Institute of Chartered Accountants, or the Institute of Public Accountants
- be conducted in accordance with the Auditing Standards on Review Engagements, and
- include the provision of a written review report. The report must state whether financial records kept by the association were sufficient for the purposes of conducting a review

### Audits

Tier three associations must have their financial records audited.

An audit must:

- be conducted by someone who is:
  - a registered company auditor or a firm of registered company auditors
  - a member of, and holder of a current practising certificate issued by either CPA Australia, the Institute of Chartered Accountants, or the Institute of Public Accountants, or
  - a person approved by CAV
- be conducted in accordance with Australian Auditing Standards, and
- include the provision of a written audit report. The report must state whether the financial records of the association were sufficient for the purposes of conducting an audit

## What financial information must an incorporated association provide to CAV?

CAV is the regulator of incorporated associations in Victoria.

Under the AIR Act, unless exempt, within one month of an AGM, the secretary of an incorporated association must provide CAV with an annual statement. Associations that are registered charities with the Australian Charities and Not-for-profits Commission are generally exempt (see the caution box below).

This statement must include a copy of the financial statement presented at the AGM that has been certified in a two-step process including:

- certification by two committee members before the AGM that the financial statement provides a 'true and fair' representation of the association's financial position, and
- certification by one committee member after the AGM that the financial statement was in fact presented at the AGM and that the member was present at the AGM

CAV (through the online system [myCAV](#)) will send your incorporated association's secretary a notification to lodge the annual statement. There is a fee for lodging the statement. The annual statement must include a statement of the terms of any resolutions passed at the AGM concerning the financial statements.

Tier two associations (and tier one associations who have had their statement reviewed) must also provide CAV with a copy of the review of the financial statement.

Tier three associations must also provide a copy of the auditor's report to CAV.

In some circumstances you can apply for an extension of time to lodge your financial statement, form and review or audit report (a link to the extension application form is included in the resources section below). A small fee must be paid when seeking an extension.



### Caution – registered charities

Reporting obligations for Victorian incorporated associations that are also registered charities with the Australian Charities and Not-for-profit Commission (**ACNC**) changed on 1 July 2018.

These organisations will no longer need to:

- lodge an annual statement with Consumer Affairs Victoria
- pay an annual statement lodgement fee

The exemption is not retrospective (for financial years that end before 30 June 2018, separate annual statements must be provided to CAV and the ACNC).

The exemption does not apply to charities that have been approved by the ACNC to withhold financial details or financial reports from the ACNC register.

For further information see our resources on [reporting to government](#) or refer to the [Consumer Affairs Victoria website](#).



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

The AIR Act requires incorporated associations to maintain adequate accounting records of their financial transactions. These records must be kept for seven years.

The AIR Act doesn't state what financial records should be kept, but at a minimum, the records should include receipts for all money received, evidence that it has been banked, and records for all money paid out of the association's funds.

The AIR Act requires associations to keep their financial statements for seven years, as well as the certificate from a committee member that the financial statement was presented at the association's AGM.

# Resources

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## 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.

▶ [Secretary's satchel](#)

The Secretary's Satchel is a comprehensive guide to the secretary's role in running an incorporated association in Victoria. It includes tool kits, samples and precedents, and examples.

▶ [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.

▶ [Consumer Affairs Victoria \(CAV\)](#)

[Application form for extension of time to provide CAV with financial statement](#) – On this page under 'Lodging an annual statement', CAV provides basic information about annual statements and a link to the form to apply for an extension of time to lodge an association's annual statement. Annual statements must be lodged via the online system myCAV.

▶ [Model Rules](#)

Some Victorian incorporated associations use the 'model rules' published by CAV. You should check your association's rules to determine the 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 Nonprofit 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 Reform Act 2012 \(Vic\)](#)

▶ [Associations Incorporation Reform Regulations 2012 \(Vic\)](#)