

Financial powers and reporting obligations

Legal information for Victorian incorporated associations

This fact sheet covers:

- who is responsible for overseeing your organisation's finances
- the financial records your organisation must keep, and
- what kind of financial information you need to provide at your annual general meeting (**AGM**) and to Consumer Affairs Victoria (**CAV**).

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)* (the AIR Act).

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

Who is responsible for overseeing our organisation's finances?

Each member of the 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 organisation's finances?

The committee of management (or board) of an incorporated association has powers relating to finances. 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 decision about finances.

In general, members of the committee of management 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.

Committee members have a legal duty to exercise reasonable care and skill in managing the affairs of the association (including the financial affairs), and a duty to prevent insolvent trading by the association.

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 committee of management.

For more information about the duties of committee of management members, go to Not-for-profit Law's Governance resources at www.nfplaw.org.au/governance.

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 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 do we need to provide at the 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, and
- 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.

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.

REMEMBER

An incorporated association must hold an AGM within 18 months of first incorporating. Then an AGM must be held every 12 months, within 5 months of end of the association's financial year. When incorporating, associations can decide when they want their financial year to begin and end (eg. an association could choose for its financial year to end on 30 March instead of 30 June).



For all tiers of associations, a committee member must certify (in an approved form) that the financial statement was presented at the AGM, and the certificate needs to be provided to Consumer Affairs Victoria (CAV) (discussed further below).

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

Reviews

Tier two organisations (and tier one organisations 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
- must be conducted in accordance with the Auditing Standards on Review Engagements, and
- must 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,
- must be conducted in accordance with Australian Auditing Standards, and
- must 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 needs to be provided to CAV?

CAV is the regulator of incorporated associations in Victoria.

The AIR Act says that within one month of an AGM, the secretary of an incorporated association must provide to CAV an annual statement, which includes 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 prior to 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 will email your organisation's secretary a notification to lodge the annual statement via the online system [myCAV](#) and 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 organisations (and tier one organisations who have had their statement reviewed) must also provide CAV with a copy of the review of the financial statement. Tier three associations also need to 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.

What financial records does our organisation have to keep?

The AIR Act requires incorporated associations to maintain adequate accounting records of their financial transactions. These records must be kept for 7 years.

The AIR Act does not 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 organisation's funds.

The AIR Act requires associations to keep their financial statements for 7 years, as well as the certificate from a committee member that the financial statement was presented at the association's AGM.

! CAUTION

If your organisation is a registered charity, depending on its size it may also need to provide financial reports to the Australian Charities and Not-for-profits Commission.

Find out more at

www.nfplaw.org.au/charityreporting.

Resources

Related Not-for-profit Law Resources

The Not-for-profit Law Information Hub (www.nfplaw.org.au) has further resources on the following topics:

- ▶ [Running the organisation](#)
- ▶ [Duties](#)
- ▶ [Secretary's satchel](#)
- ▶ [Meetings](#)

Legislation

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

Extra Related Resources

- ▶ [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.

- ▶ [Institute of Chartered Accountants \(ICA\)](#) – enhancing not-for-profit annual and financial reporting
- ▶ [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 Financial Management 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.

A Not-for-profit Law Information Hub resource. Access more resources at www.nfplaw.org.au

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