

Financial reporting requirements

If a management committee does not fulfil its reporting requirements, the OFT may issue a show cause notice asking the incorporated association to provide reasons why its registration should not be cancelled.

Whether your incorporated association needs to lodge an annual return with the OFT will depend on several factors.

Registration with the ACNC

Incorporated associations that are also registered with the Australian Charities and Not-for-profits Commission (ACNC) are exempt from lodging an annual return with the OFT, provided they:

- satisfy their ACNC annual reporting requirement
- include their Queensland registration number (their IA number) on their ACNC Annual Information Statement
- are not part of an ACNC group reporting arrangement
- have not had their financial information excluded or removed from the ACNC register.

If your organisation conducts certain games under the *Charitable and Non-profit Gaming Act 1999* or operates gaming machines, you must continue to submit audited annual returns to the Office of Liquor and Gaming Regulation.

Reporting levels

For the purpose of financial reporting, an incorporated association may be classed as a large, medium or small association, depending on its current assets and total revenue. The three levels have different financial reporting requirements.

Current assets are assets that are easily turned into cash. They include cash itself, shares, accounts receivable and short-term investments. Current assets do not include property or depreciable assets. Total revenue is an incorporated association's total income during its last financial year before any expenses are deducted.

If your incorporated association's activities are governed by more than one piece of legislation, you will need to make sure the financial reporting requirements of all relevant legislation are met. For example, if your medium or small association is required to have an audit under any law for any other purpose, the financial statements must be audited.



Your incorporated association level and auditing requirements are as follows:

Large	Current assets of more than \$1,000,000 or total revenue of more than \$500,000.	For large incorporated associations, a registered auditor or certified accountant must audit the financial statements.
Medium	Current assets between \$300,000 and \$1,000,000 and/or total revenue between \$150,000 and \$500,000.	<p>Medium incorporated associations required to have an audit conducted under any law for any other purpose:</p> <p>A registered auditor or certified accountant, or person approved by the OFT, must audit the financial statements.</p> <p>For other medium incorporated associations:</p> <p>An auditor or certified accountant, or person approved by the OFT, must verify the financial statements.</p> <p>The verification statement must state ‘I have examined the association’s financial records and the financial records show that the association has adequate bookkeeping processes in place to correctly record and explain transactions to enable a true and fair financial statement to be prepared’.</p>
Small	Current assets of less than \$300,000 and total revenue of less than \$150,000.	<p>Small incorporated associations required to have an audit conducted under any law for any purpose:</p> <p>A registered auditor or certified accountant, or person approved by OFT, must audit the financial statements.</p> <p>For other small incorporated associations:</p> <p>The president or treasurer must verify the financial statements.</p> <p>The verification statement must state ‘The association’s financial records show the association keeps adequate financial records to correctly record and explain transactions to enable a true and fair financial statement to be prepared’.</p>

For further details see pages 35–37.

Auditors and persons able to verify financial affairs

Where your incorporated association's financial statements are required to be audited or verified by an auditor or certified accountant, one of the following persons should be appointed:

- a person registered as an auditor under the Commonwealth *Corporations Act 2001* (a register of auditors may be searched on www.asic.gov.au)
- a member of CPA Australia (www.cpaaustralia.com.au) who is entitled to use the letters CPA or FCPA
- a member of Chartered Accountants Australia and New Zealand (www.charteredaccountantsanz.com) who is entitled to use the letters CA or FCA
- a member of the Institute of Public Accountants (www.publicaccountants.org.au) who is entitled to use the letters MIPA and/or FIPA.

If your auditor or verifier does not fit any of these categories, a medium level incorporated association or a small level incorporated association required to have an audit may lodge *Associations Incorporation form 21—Application for approval to conduct audit or provide verification statement* to seek approval of a particular person with suitable auditing or accounting experience.

Your auditor or verifier cannot be:

- the secretary or a member of your incorporated association's management committee
- an employee of the incorporated association
- a partner, employer or employee of the secretary or management committee member
- a spouse or dependant of any of the above.

The model rules require an incorporated association to appoint its auditor or verifier for the present financial year at the annual general meeting.

For a small level incorporated association not required to have an audit, the verifier is the president or treasurer.

