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The Treasury

Financial Reporting by Unlisted Public Companies

Discussion Paper

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Consultation

Comments are sought on this discussion paper by no later than 3 August 2007. Submissions should be sent by mail, fax or email to:

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Confidentiality

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FOREWORD

The Australian Government has made a number of significant improvements to Australia's financial reporting framework in recent years to enhance the quality of reporting by companies.

In 2004, the Government passed the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004*. This Act greatly enhanced the auditor regulation framework providing greater confidence for investors in the integrity of financial statements. In 2005, Australia adopted International Financial Reporting Standards. The adoption of these standards brought Australia into line with international best practice and ensured that the financial statements of Australian companies are well respected on the global stage.

Following on from these reforms, I have commenced a review of the financial reporting obligations of unlisted Australian companies, in particular smaller companies. The review aims to ensure that the costs incurred by these companies in preparing financial information do not outweigh the benefits to stakeholders in having access to the information.

As an initial step, I consulted on the reporting thresholds for proprietary companies through my *Corporations and Financial Services Regulation Review*. Following an analysis of the comments received, the Government is proposing to increase these thresholds to ensure that only economically significant proprietary companies are required to report. This will result in fewer proprietary companies having financial reporting obligations. This reform has been introduced into Parliament through my *Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007.*

This discussion paper represents the next stage in this process. The paper seeks comments on the financial reporting requirements for unlisted public companies in the *Corporations Act 2001*. Currently, these companies are subject to similar annual reporting requirements as listed public companies. The paper examines the issue of whether some type of differential reporting framework should be introduced for these companies based on the existing differential requirements for proprietary companies.

The paper highlights the unique nature of many unlisted public companies due to their not-for-profit focus. This differentiates these companies from both proprietary companies and listed public companies. In general, members in these companies are not seeking a direct financial return on their investment in the company. This changes the demand from members for comprehensive financial statements. However, these companies are also likely to have a broader range of stakeholders interested in their operations relative to for-profit companies. In addition, financial reporting assists in promoting transparency and good governance in these companies. These issues must be taken into account when determining the appropriate financial reporting requirements.

I encourage all stakeholders with an interest in unlisted public company financial reports to consider the issues outlined in the paper and provide comments to Treasury.

The Hon Chris Pearce MP
Parliamentary Secretary to the Treasurer

Contents

1. INTRODUCTION

Financial reports are the primary source of information for users seeking to make an assessment of a company's financial position to facilitate resource allocation decisions. The users are wide ranging including shareholders (members), creditors, employees, governments, regulators and the general public. For this reason, financial reporting plays a crucial role in Australia's corporate regulatory framework. The production of financial information does, however, come at a cost to the company involved. These costs need to be taken into account when determining a company's financial reporting obligations.

Australia's financial reporting framework has been subject to a number of significant changes in recent years. These changes include the reforms in the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* and the adoption of International Financial Reporting Standards (IFRS). As outlined above, the Government is conscious of the need to ensure that the financial reporting requirements of Australian companies draw the right balance between the interests of users and preparers. As part of this, the Government recently reviewed the reporting thresholds for proprietary companies through the *Corporations and Financial Services Regulation Review*. Following consultation with stakeholders, the Government has recently introduced amendments to increase the thresholds to ensure that only economically significant proprietary companies are required to prepare financial statements.

This paper is a continuation of this work. It outlines issues associated with financial reporting by unlisted public companies in Australia.[1] Unlisted public companies make-up approximately 18,000 of Australia's 1.4 million companies. Unlisted public companies can be differentiated from proprietary companies in that they may have more than 50 non-employee members and also have the ability to raise money from the public. They are comprised of two main types of companies: companies limited by guarantee and companies limited by shares. [2] The paper begins by outlining the size and nature of these companies. The paper then sets out the existing financial reporting framework for these companies and provides a discussion of the rationale for these requirements. Finally, the paper puts forward a number of issues that stakeholders are encouraged to provide feedback on.

1 The paper does not address the requirements of unlisted public companies that are classified as 'disclosing entities' under the Corporations Act. Disclosing entities are subject to specific reporting requirements due to their financing activities. In any event, it is unlikely that there are many unlisted public companies which are also disclosing entities.

2 There are other types of unlisted public companies, for example, unlimited public companies with share capital and no liability public companies. These make-up a very small proportion of the population of public companies and are not specifically addressed in this paper.

1.1 Companies limited by guarantee

There are approximately 11,000 companies limited by guarantee registered under the *Corporations Act 2001*. This figure has been growing at 6 per cent per annum in recent years. Companies limited by guarantee do not have the power to issue shares to members. Rather, each member agrees to pay an amount specified in the company's constitution in the event that the company goes into liquidation. In most cases, the amount of this guarantee is nominal. As indicated in Table 1, the size of these organisations is predominately small with close to 70 per cent having operating revenue of less than $1,000,000.

Table 1: Size of companies limited by guarantee[3]

	Revenue (%)	Cumulative Total: Revenue (%)	Assets (%)	Cumulative Total: Assets (%)
Less than $200,000	41	41	35	35
Between $200,001 and $500,000	13	54	10	45
Between $500,001 and $1,000,000	14	68	18	63
Between $1,000,000 and $12,500,000	28	96	30	93
Between $12,500,001 and $25,000,000	2	98	2	95
Greater than $25,000,0000	2	100	5	100

These results are consistent with the findings of a survey of companies limited by guarantee in 2002 by The University of Melbourne[4] which found that 64 per cent had revenue of less than $1,000,000. This survey also found that almost all companies limited by guarantee have a not-for-profit motive.[5] They included sports and recreation related organisations (21 per cent), community service organisations (19 per cent), education-related institutions (15 per cent) and religious organisations (10 per cent).

1.2 Unlisted public companies limited by shares

An unlisted public company limited by shares is a company that has issued shares to the public but has elected not to have those shares listed on a stock exchange. It has all the same powers under the Corporations Act as a listed public company. There are approximately 7,000 unlisted public companies limited by shares. These companies are more likely to act with a for-profit purpose relative to companies limited by guarantee because their share capital structure makes it easier to provide financial returns to members. As indicated in Table 2, they also tend to be significantly larger than companies limited by guarantee with only around 40 per cent having revenue of less than $1,000,000.

3 Based on sample data provided by ASIC on 3 November 2006.
4 Woodward and Marshall, A Better Framework: Reforming Not-For-Profit Regulation, The University of Melbourne (available at: http://cclsr.law.unimelb.edu.au/not%2Dfor%2Dprofit/finalreport/).
5 A small number of companies limited by guarantee reported having a profit motive in the survey; however, the authors of the survey attribute these results to companies misinterpreting the question.

Table 2: Size of unlisted public companies limited by shares[6]

	Revenue (%)	Cumulative Total: Revenue (%)	Assets (%)	Cumulative Total: Assets (%)
Less than $200,000	30	30	16	16
Between $200,001 and $500,000	7	37	12	28
Between $500,001 and $1,000,000	7	44	2	30
Between $1,000,000 and $12,500,000	35	79	45	75
Between $12,500,001 and $25,000,000	2	81	2	77
Greater than $25,000,0000	19	100	23	100

2. Current Financial Reporting Requirements for Unlisted Public Companies

The same financial reporting requirements apply to all unlisted public companies. These companies are required to prepare an annual report that includes a directors' report, financial report and auditor's report. The annual report must be distributed to members within the earlier of 21 days before the annual general meeting or four months after the end of the financial year. The financial report must include the financial statements of the company (balance sheet, profit and loss statement, cash flow statement and statement of recognised income and expense/statement of changes in equity), the notes to the financial statements and a directors' declaration about the statements and the notes. The financial report is required to be prepared in accordance with applicable accounting standards and audited by a registered company auditor in accordance with auditing standards. A table outlining the financial reporting requirements of unlisted public companies under the Corporations Act (as well as the requirements under equivalent state and territory Associations Incorporation Acts) is at Appendix 1.

The content of the financial report is governed by the accounting standards. The range of accounting standards that apply will depend on whether the company meets the definition of reporting entity in the accounting standards.[7] If the company meets the definition of reporting entity, it must comply with all the requirements in the accounting standards. If it does not meet the definition, it is only required to comply with the recognition and measurement requirements, not the disclosure requirements. Sample data indicates that 64 per cent of companies limited by guarantee and 81 per cent of unlisted public companies limited by shares classify themselves as reporting entities and therefore comply with all the requirements in the accounting standards.[8]

The applicable accounting standards for unlisted public companies are currently the subject of review by the Australian Accounting Standards Board (AASB). The AASB recently released an exposure draft of a proposed IFRS on financial reporting by small and medium entities (SME). If the standard is adopted, it would potentially replace the reporting entity approach to determining the application of accounting standards and, as such, will impact upon the financial reporting requirements of unlisted public companies. In the exposure draft, the AASB is proposing that not-for-profit unlisted public companies with revenue in excess of $25 million or assets in excess of $12.5 million and for-profit unlisted public companies with revenue in excess of $500 million or assets in excess of $250 million

6 Based on sample data provided by ASIC on 3 November 2006.

7 A reporting entity is defined as 'an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial report for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'.

8 Based on sample data provided by ASIC on 3 November 2006.

must comply with full IFRS. Companies below these thresholds will be required to apply the proposed SME standard. Based on the information in Table 1, these thresholds will result in the vast majority of companies limited by guarantee that have a not-for-profit focus complying with the proposed SME standard as opposed to full IFRS. For companies that are currently classified as reporting entities, the adoption of the proposed SME standard should therefore result in a significant reduction in the cost of complying with the financial reporting obligations. For the remaining companies, any change requirements will be determined by the extent to which they are currently complying with the accounting standards.

3. Analysis of Current Reporting Requirements

3.1 Companies limited by guarantee

Under the current requirements of the Corporations Act, the annual financial reporting requirements for all public companies are the same regardless of whether the company operates with a for-profit or not-for-profit motive. This is based on the rationale that any company that raises capital from the public also has an obligation to ensure all members in the company have access to financial information about their investment. However, the not-for-profit focus of a company limited by guarantee is likely to significantly impact upon the demand for comprehensive financial reports by members. This is because members generally invest only nominal amounts of capital into the company. In addition, members do not receive direct financial returns in the form of dividends or capital gains. For example, in the case of a small sporting club, members receive returns in the form of access to facilities and discounted goods and services. Members generally have access to alternative facilities and are likely to switch if the services offered by the club decline in quality. The members involved in managing the club will have an interest in the financial position of the entity; however, these individuals will have access to internal reports and will not be reliant on statutory reporting for this information.

Even though members may not make direct reference to the financial statements of a company, the requirement for a company to prepare a financial report and have it externally audited may help to provide members with assurance that the company is being appropriately governed. This benefit needs to be weighed up against the cost of requiring all companies limited by guarantee to prepare audited financial reports. One potential option may be to remove the default requirement for all companies limited by guarantee to prepare an audited financial report, but also provide members with the ability to request that a report be prepared. This could be similar to the ability for 5 per cent of members in a small proprietary company to request an audited financial report. However, the nature of the company may be such that there is a broader public interest (that is, beyond the interests of members) in its financial performance. This will be the case particularly where the company solicits money from the public either in the form of deposits (for example, a credit union) or through donations (for example, a charity).

State and territory legislation provides for the creation of incorporated associations which is a commonly used structure for incorporating not-for-profit entities. The financial reporting requirements imposed on incorporated associations in each of the state and territory jurisdictions are outlined at Appendix 1. In general, the requirements are less extensive than the reporting requirements imposed on companies limited by guarantee. While all jurisdictions (except for Western Australia[9]) require incorporated associations to prepare and lodge financial information, the nature of what they have to prepare is different. The extent to which incorporated associations are required to comply with accounting standards varies between the jurisdictions. Most jurisdictions only impose a requirement for the information to 'fairly present' the transactions of the association. This gives

9 It is noted that Western Australia is proposing to amend the financial reporting requirements imposed on incorporated associations through the Associations Incorporation Bill 2006.

incorporated associations significantly more flexibility in preparing financial information than companies limited by guarantee.[10] South Australia provides a complete reporting exemption for incorporated associations with revenue less than $200,000.

With regard to auditing the financial statements, most jurisdictions have introduced a 'tiered' approach that significantly increases the range of individuals that can conduct the audit for smaller associations. Victoria provides complete relief from having the information audited for small incorporated associations (revenue less $200,000 and assets less $500,000) and in NSW there is no requirement for any association to have its financial information audited. The Northern Territory is the only jurisdiction that requires the use of auditing standards and this only applies to audits of large incorporated associations.[11]

Given that incorporated associations offer the benefits of incorporation but are generally subject to a lighter regulatory environment, it raises the issue of why a not-for-profit entity would elect to become a company limited by guarantee. The University of Melbourne survey of incorporated associations identified a number of explanations for this, including:

- Many not-for-profit entities elected to incorporate prior to the introduction of incorporated associations by state and territory jurisdictions; as a result, becoming a company limited by guarantee was their only option. Now that the entity is a company limited by guarantee, it is too expensive for them to change to being an incorporated association.

- In some jurisdictions, there are legislative or government requirements for certain types of entities to be a company rather than an incorporated association.

- For a not-for-profit entity with operations across a number of State jurisdictions, it may be more efficient to incorporate as a company limited by guarantee rather than become a registrable association under the Corporations Act.

- There may be some perceived status benefits to operating as a company rather than an incorporated association.

3.2 UNLISTED PUBLIC COMPANIES LIMITED BY SHARES

The rationale for requiring unlisted public companies limited by shares to report is similar to that for requiring listed public companies to report. A public company that is limited by shares has raised money from the general public, presumably, for the purpose of investing that money with a for-profit purpose. An investor in that company should be able to obtain information about its performance in order to determine their likely return on investment. These investors will not always be in a position to demand this information (especially if they only have a relatively small holding). The Corporations Act provides a way of ensuring that all shareholders can get access to this information.

10 However, even in the absence of a legislative requirement to use accounting standards, there is a professional obligation for the financial information to comply with accounting standards if the association's accountant is a member of a professional accounting body (APS 1 Conformity with Accounting Standards and UIG Consensus Views).

11 However, even in the absence of a legislative requirement to use auditing standards, there is a professional obligation on the association's auditor to use auditing standards if the auditor is a member of a professional accounting body (APS 1.1 Conformity with Auditing Standards).

4. ISSUES FOR COMMENT

4.1 COMPANIES LIMITED BY GUARANTEE

4.1.1 Reporting requirements

As outlined above, there is currently no differential reporting regime in place for companies limited by guarantee. Comments are sought from stakeholders on whether there is scope for companies limited by guarantee to be subject to a similar regime to that in place for proprietary companies. If stakeholders support the introduction of a differential reporting regime for companies limited by guarantee, comments are also sought on the appropriate criteria for differentiating between companies both in terms of the indicators of size and the quantum of those indicators. The thresholds for proprietary companies are based around revenue, assets and employees. Given that many not-for-profit entities are staffed by volunteers rather than employees, the number of employees may not give an accurate indication of the significance of the company. It is noted that the existing legislation for incorporated associations do not use employees as a means of differentiating between associations.

With regard to the quantum of any size indicators, comments are sought on whether the level of the thresholds used for proprietary companies to determine economic significance is also an appropriate level if those indicators were adopted for companies limited by guarantee. It is government policy that all companies regardless of nature are required to prepare financial statements if their operations are economically significant. As such, the level of the thresholds used for proprietary companies in the Corporations Act represent the maximum possible level of any asset, revenue or employee indicator adopted for companies limited by guarantee.[12] Setting indicators at a level equivalent to those used for proprietary companies would result in the vast majority of companies limited by guarantee having no statutory financial reporting requirements. It is noted that companies limited by guarantee generally have a greater community focus and are involved in providing more social infrastructure compared to proprietary companies. This may mean that there will be public interest in the accounts of companies limited by guarantee at levels below those that are economically significant. They also make greater use of public funding access to government grants and other sources. The need for financial reporting in these cases may, however, be satisfied by the company providing special purpose financial reports to the grantor (for example, the government agency that made the grant) rather than a general purpose financial report through the Corporations Act.

A related issue is whether there is potential to differentiate between companies limited by guarantee based on the nature of their operations as well as size. For example, a company with public-benefit operations that raises money from the public in the form of donations (for example, a charity) is likely to have a higher level of public interest than a company with member-benefit operations (for example, a sporting club). However, differentiating between companies on the basis of their operations rather than just size is likely to be a more subjective test. This would potentially make it difficult to apply and enforce.

If a differential reporting regime was introduced for companies limited by guarantee, it would most likely be accompanied with the introduction of a requirement for an exempted company to prepare accounts if a certain percentage of members or ASIC requested the information. This would be similar to the current requirement for small proprietary companies to prepare a financial report if

12 These thresholds are currently set at $10 million in revenue, $5 million in assets and 50 employees (proprietary companies are required to prepare a financial report if they meet two of these thresholds). The Government is proposing to increase these thresholds to $25 million in revenue, $12.5 million in assets and 50 employees as part of the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007.

shareholders with more than 5 per cent of share capital request it. This would allow members in companies limited by guarantee to still have the ability to access information about their company.

Issues for comment:

A. Do you support the introduction of a differential reporting regime based on size for companies limited by guarantee? If so, what do you consider to be the appropriate criteria (both in terms of the indicators of size and the quantum of those indicators) for differentiating between those companies that are required to report and those companies that are exempt?

B. Do you believe it is appropriate to differentiate between companies limited by guarantee by the nature of their operations rather than just size? If so, what nature of operations do you believe warrants greater transparency?

C. Do you consider that companies limited by guarantee that receive any money through grants should have financial reporting requirements? If so, can this obligation be satisfied by the company providing special purpose financial reports to the grantor rather than preparing general purpose financial reports under the Corporations Act?

D. If you support some companies limited by guarantee being exempted from financial reporting, what percentage of members should be required in order to require an exempt company limited by guarantee to prepare a financial report?

E. If you support the retention of financial reporting requirements for all companies limited by guarantee, do you consider that there is scope to reduce the amount of financial information these companies are required to report? If so, what type of financial information do users need companies limited by guarantee to report (for example, related-party disclosures)?

F. Do you consider that there is a need to harmonise the financial reporting requirements of companies limited by guarantee and incorporated associations to provide a consistent reporting framework for not-for-profit entities in Australia?

G. In order to assist in progressing this project, it would be useful to obtain an indication from companies limited by guarantee of the cost of preparing a directors' report and audited financial report as required by the Corporations Act.

4.1.2 Audit requirements

Currently, all financial reports prepared by companies limited by guarantee are required to be audited by an auditor registered under the Corporations Act in accordance with auditing standards. The need for an audit is considered fundamental to ensuring the integrity of the information that is made available to the public. In addition, the requirement for an audit is an important governance mechanism in helping to promote good governance in these companies. However, a number of state and territory jurisdictions have introduced audit relief for incorporated associations either in the form of removing the audit requirement or allowing the audit to be undertaken by a wider range of people. It is noted that, under the current arrangements, companies would be relieved from any statutory audit requirement if they were made exempt from reporting by the introduction of a differential reporting regime. It is also noted that the Auditing and Assurance Standards Board has recently released a discussion paper on auditing SMEs, which canvasses this issue.

Issues for comment:

H. If some companies limited by guarantee were to be exempt from financial reporting, do you consider there is value in these companies continuing to be subject to some level of non-statutory external assurance as a means of promoting good governance? If so, what should this assurance relate to and how do you think this regime should be introduced (for example, through best practice guidelines issued by the professional accounting bodies)?

I. For those companies limited by guarantee that are required to prepare financial statements, do you consider that there is a need to change the current audit requirements? If so, which aspects of the current requirements need to be reformed?

4.1.3 Payment of dividends

As noted above, while the structure of companies limited by guarantee is not suited to the distribution of dividends to members, it is still technically possible for a company limited by guarantee to pay dividends. It is expected that the vast majority of companies limited by guarantee will prohibit the payment of dividends to members through their constitutions. Comments are sought on whether the Corporations Act should be amended to make it explicit that companies limited by guarantee cannot pay dividends.

Issues for comment:

J. Do you support amending the Corporations Act so that companies limited by guarantee are specifically prohibited from distributing profits to members in the form of dividends?

4.2 UNLISTED PUBLIC COMPANIES LIMITED BY SHARES

In contrast to companies limited by guarantee, unlisted public companies limited by shares have the ability to raise funds from the public by issuing shares and as such are much more likely to be engaged in for-profit activities. The Corporations Act financial reporting requirements provide a safety net for shareholders who want the information about their investment but cannot demand it from the company because of their small holding.

It is noted that some companies might currently be constituted as unlisted public companies limited by shares but are better suited to being proprietary companies (if they have a small number of shareholders) or companies limited by guarantee (if they have a large number of members but do not operate with a for-profit purpose). Part 2B.7 of the Corporations Act already provides a process for an unlisted public company limited by shares to convert to a proprietary company. However, there is no readily available mechanism to allow an unlisted public company limited by shares to convert to a company limited by guarantee. Difficulties arise with converting a company limited by shares into a company limited by guarantee because it would involve a dismantling of the share capital structure and shareholders foregoing their rights to the existing shares.

One potential way of addressing this may be to introduce a differential reporting framework for unlisted public companies limited by shares that have a not-for-profit focus. This would allow them to be treated in a manner consistent with companies limited by guarantee in the event that a differential reporting regime was introduced for these companies. This would require the introduction of a mechanism in the Corporations Act to determine whether an unlisted public company limited by shares has a not-for-profit focus. This could be achieved by the introduction of a definition of a not-for-profit entity similar to that contained in the accounting standards. The accounting standards define a not-for-profit entity as an 'entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent and each of the entities that it controls'.

Issues for comment:

K. Do you support the principle that all for-profit companies that have raised capital from the public should have statutory annual financial reporting obligations?

L. Given a satisfactory mechanism to allow unlisted public companies limited by shares with a not-for-profit objective to convert to a company limited by guarantee is not available, would you support an equivalent differential reporting regime to that proposed for companies limited by guarantee to be established for unlisted public companies limited by shares with a not-for-profit focus? If so, do you support using the definition of not-for-profit entity in the accounting standards to determine whether a company has a not-for-profit focus?

M. In order to assist in progressing this project, it would be useful to obtain an indication from unlisted public companies limited by shares of the cost of preparing a directors' report and audited financial report as required by the Corporations Act and also the number of unlisted public companies limited by shares that have a not-for-profit objective.

APPENDIX 1: SUMMARY OF FINANCIAL REPORTING REQUIREMENTS FOR UNLISTED PUBLIC COMPANIES AND INCORPORATED ASSOCIATIONS

	Legislation	Maintain financial records	Lodgement of financial information	Presented to Members	Audit	Accounting/Auditing Standards
Cth	*Corporations Act 2001*	Yes — Section 286	Yes with ASIC — Section 319(1). Must lodge a directors' report and declaration, balance sheet, profit and loss statement, cash flow statement, statement of changes in equity and the notes to the financial statements.	Yes — accounts must be distributed to members by the earlier of 21 days before the AGM or 4 months after the end of the financial year — section 315.	Yes — Section 301. Audit must be completed by a 'registered company auditor'.	The accounts must be prepared in accordance with applicable accounting standards — Section 296. The audit must be conducted in accordance with auditing standards — Section 307A.
ACT	*Associations Incorporations Act 1991*	Yes — Section 71	Yes with Register-General — Section 79. Accounts must give a true and fair view of income and expenditure, assets and liabilities and any mortgages/charges on property — Section 72.	Yes at AGM — Section 73.	Yes, but not required to be completed by an accountant — Section 74. Audit by a registered company auditor or a member of the ICAA, NIA or CPAA only required if assets or revenue greater than $150,000 or more than 1000 members or hold a liquor licence — Section 74 and Regulation 12. If the association has revenue exceeding $500,000, the audit must be conducted by a registered company auditor — Section 76 and Regulation 13.	Audit opinion of an association with more than $500,000 in revenue must state whether accounting standards have been complied with and, if not, whether this means they are not true and fair — Section 76.
NT	*Associations Act 2003*	Yes — Section 41	Yes with Commissioner — Section 45. Accounts must not be misleading and must give a true and fair view of income and expenditure, assets and liabilities, any mortgages/charges on property and the activities of any trusts controlled by the entity — Section 42. Must also be presented with a statement by the management committee – Section 43 and Schedule 4 of Regulations.	Yes at AGM — Section 43. Associations are also required to make members aware of the accounts at least 14 days before the AGM — Section 44.	Yes, but varies on the size of the association. If the association has less than $25,000 in revenue and less than $50,000 in assets, it can be audited by a non-associated lay person. Associations with up to $250,000 in revenue or $500,000 in assets can be audited by an accountant or a person holding a prescribed class of qualifications and associations over these amounts must be audited by member of an accounting body holding a public practice certificate or a person approved by the Commissioner— Sections 46, 47 and 48.	All audit opinions must state whether Australian Accounting Standards have been complied with. Schedule 4, Regulations. Audit opinion of an association with more than $250,000 in revenue or $500,000 in assets must state whether accounting standards have been complied with and, if not, whether this means they are not true and fair — Section 48. Audits of associations with more than $25,000 in revenue or $50,000 in assets must be conducted in accordance with applicable auditing standards — Regulation 11

	Legislation	Maintain financial records	Lodgement of financial information	Presented to Members	Audit	Accounting/Auditing Standards
NSW	*Associations Incorporation Act 1984*	Yes — Section 28(1)	Yes with Director-General — Section 27. Accounts must not be misleading and must give a true and fair view of income and expenditure, assets and liabilities, any mortgages/charges on property and the activities of any trusts controlled by the entity — Section 26.	Yes at AGM — Section 26(6).	No requirement for the accounts to be audited.	No requirement for the accounts to be prepared in accordance with accounting standards.
QLD	*Associations Incorporation Act 1981 as amended by the Associations Incorporation and Other Legislation Amendment Act 2007*	Yes — Regulation 9	Yes with Chief Executive — Section 59, 59A and 59B. Associations are required to lodge a financial statement that outlines the association's income and expenditure, assets and liability and details about mortgages, charges and securities affecting the association's property – Sections 2 and 59.	Yes at AGM — Sections 59, 59A and 59B.	Yes, but varies on the size of the association. If the association has less than $20,000 in revenue and $20,000 in current assets, the accounts only need to be accompanied by a statement from the entity's Treasurer or President that the association's books are kept in an appropriate manner. Associations with up to $100,000 in revenue or $100,000 in current assets must be accompanied by a statement by a member of the ICAA, NIA or CPAA that the association has bookkeeping processes in place to adequately record the association's income and expenditure and dealings with its assets and liabilities. Associations above these thresholds (or how are required to have their accounts audited under other legislation) must have their accounts audited by a registered company auditor – Sections 59, 59A and 59B.	No requirement for the accounts to be prepared in accordance with accounting standards.
SA	*Associations Incorporation Act 1985*	Yes — Sections 35 and 39C	Yes but only if required to prepare accounts. An entity is required to prepare accounts if it has revenue greater than $200,000 — section 35. Accounts must be lodged with the Corporate Affairs Commission. The accounts must fairly present the results of the operations of the association and its financial position — section 35.	Yes at AGM but only if required to prepare — Section 35.	Yes (if required to prepare) by a registered company auditor or just a member of the ICAA, NIA or CPAA, a person the Commissioner considers has appropriate qualifications — Section 35.	No express requirement to use accounting standards, but the auditor must attest that the accounts 'present fairly' the results and financial position of the association — Section 37
TAS	*Associations Incorporation Act 1964*	Yes — Section 23A	Yes with the Commissioner (if not exempt by the Commissioner) — Section 24B. Accounts must be adequate to explain the financial transactions and financial position of the association — Section 24B.	No requirement to present accounts to members.	Yes (if not exempt by the Commissioner) — Section 24. The person must be a registered company auditor or another person approved by the Commissioner — Section 24.	No requirement for the accounts to be prepared in accordance with accounting standards.

	Legislation	Maintain financial records	Lodgement of financial information	Presented to Members	Audit	Accounting/Auditing Standards
VIC	*Associations Incorporation Act 1981*	Yes — Section 30A	Yes — Section 30. Accounts must be lodged with the Registrar. Accounts must contain particulars of income and expenditure, assets and liabilities, any mortgages/charges on property and the activities of any trusts controlled by the entity — Section 30.	Yes at AGM — Section 30.	Yes but only if revenue over $200,000 or assets over $500,000. Auditor must be a registered company auditor, a member of the ICAA or CPAA or a person otherwise approved by the Registrar — Section 30B.	Accounts must be prepared in accordance with AAS 4, AAS 5, AAS 6, AAS 8, AAS 15, AAS 17, AAS 28, AAS 36, AASB 1018 and AASB 1041 — Regulation 7.
WA[(a)]	*Associations Incorporation Act 1987*	Yes — Section 25	No requirement to lodge accounts.	Yes at AGM — Section 26. Must present accounts showing the financial position of the association.	No requirement for an audit.	No requirement for the accounts to be prepared in accordance with accounting standards.

(a) It is noted that WA is in the process of amending the reporting requirements for incorporated associations through the *Associations Incorporation Bill 2006*. This table does not include an outline of the measures proposed in this Bill.