

Roles and Responsibilities – Treasurers

Brisbane City Council



Dedicated to a better Brisbane

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Introduction

Welcome!

Thank you for both your attendance at today's webinar and for your commitment to your organisation and community through your work as the Treasurer (or your interest in taking on this role!).

This resource is designed to complement the webinar and provide you with information on what the main roles and responsibilities of the secretary of an incorporated association in Queensland are, as well as what practical activities need to be undertaken to fulfil these.

Legal requirements

What does the law say?

The *Associations Incorporation Act 1981* allocates the following responsibilities to treasurers:

S59 Sending financial reports to the Office of Fair Trading: If, within a month of the AGM, the financial reports have not been sent to the OFT, the treasurer (along with the president and secretary) are considered to have committed an offence and may attract a penalty of 4 Penalty Units (a Penalty Unit is currently \$137.85, so this would be a \$551.40 fine for each)

The *Associations Incorporation Regulation 1999* creates the following responsibilities for treasurers:

- S46(1) Prepare a financial statement for the last financial year as soon as practicable after the end of that year.

Schedule 5 of the Regulations state that:

- The association's treasurer, or other authorised officer, must—
 - (a) receive all amounts paid to the association and, if asked, immediately give a receipt for the amounts; and
 - (b) as soon as practicable—
 - (i) deposit each amount received into the association's account with a financial institution; and
 - (ii) enter the particulars of each amount received, and payments made by the association, into the association's cash book.
- The association's management committee must approve or ratify the association's expenditure and ensure the approval or ratification is recorded in the management committee's minutes.
- The association's expenditure must be supported by adequate documentation filed in chronological order and kept at a place decided by the association's management committee.

Putting it into practice

Record keeping

What financial records does our association have to keep?

Everything that you are legally responsible for can only be achieved through efficient and effective record keeping.

Incorporated associations must keep financial records which correctly record and explain its financial transactions and financial position, enable a true and fair financial statement for each reportable financial year of the association to be prepared and enable a true and fair audit report or verification statement to be prepared. These records must be kept in English.

The Regulations require an incorporated association to keep:

- A cash book or statement of amounts received and paid
- A receipt book of receipt forms (note, a receipt book which is not kept on a computer system must contain receipt forms printed in duplicate and consecutively numbered, or kept on the numbered butt principle)
- Records of the account the association keeps with a financial institution that are given to the association by the financial institution i.e. bank statements
- A register of members
- A register of assets
- A petty cash book, and
- A minute book of the management committee

Failure to comply with the record keeping requirements incurs a penalty.

Financial records must also be kept in the state of Queensland and for a period of seven years.

Financial reporting

Internal reporting

Most community organisations have both internal and external reporting obligations. All organisation's need internal reporting to monitor performance and to ensure that the organisation can pay its debts when they fall due. External reporting obligations vary with the size and nature of the organisation and its sources of finance.

Financial monitoring of the organisation's performance is a key responsibility of all Committee members. As such, information presented to the Committee should facilitate this process and will include key performance indicators, cash flow forecasts and budgets.

Monitoring cash flow is often critical in smaller organisations or any organisation with funding constraints. If the organisation is required to achieve certain performance criteria specified by major funders, the Committee or Board will also monitor these criteria to ensure that expectations are satisfied, in order to support continuing applications for funding.

Committee members will also need to ensure that record-keeping for different sources of funding is managed appropriately, to ensure that the financial information is reliable when funding acquittals are prepared.

Committee members have a responsibility to ensure the organisation is solvent i.e. able to pay its debts as and when they fall due. This means that they must be able to determine if there are reasonable grounds to believe the organisation can pay its debts.

Insolvency is defined as the inability of the organisation to pay all of its debts as and when they become due and payable. There are significant penalties for office bearers of organisations that trade while insolvent. There may also be penalties under the relevant legislation if due care and diligence is not exercised in carrying out their duties.

In order to determine whether debts can be paid as and when they fall due, reliable, accurate and complete financial records must be maintained by the organisation.

In Australia, a failure to keep appropriate records is an indicator of insolvent trading and can therefore have serious consequences for Committee member, who will be deemed to have permitted the organisation to trade while insolvent.

Committee meetings

At a minimum, you should be providing your Committee or Board with the following reports at their Committee meetings:

- Statement of Income and Expenditure (also known as a Profit and Loss or P&L)
- Statement of Financial Position (also known as a Balance Sheet)

When cash and bank balances are at minimal levels, a cash flow projection is essential to ensure that cash deficiencies can be identified ahead of time and mitigating action taken so that debts can be paid when they fall due.

The association's treasurer, or other authorised officer, must regularly balance the cash book and make a reconciliation between the cash book and the balance of the association's account with a financial institution. For this reason, some Committees may wish to see a Reconciliation Report on a regular basis.

Annual General Meetings (AGMs)

Incorporated associations must keep adequate records that correctly record and explain its transactions and financial position, enable a 'financial statement' to be prepared, and enable the financial statement to be properly and conveniently audited if required.

Financial statements for associations using accrual accounting must include:

- the association's income and expenditure during the financial year, and
- the association's balance sheet as at the end of the financial year, and any mortgages, charges and securities affecting the association's property as at the end of the financial year

Financial statements for associations using cash accounting must include:

- the association's receipts and payments during the financial year, and

- the association's assets and liabilities as at the end of the financial year, and any mortgages, charges and securities affecting the association's property as at the end of the financial year.

What's the difference between cash and accrual accounting?

The main difference between cash and accrual accounting is the timing of when revenue and expenses are recognised in the books.

Cash accounting records revenue when money is received and expenses when money is paid out.

Accrual accounting records revenue when it is earned and expenses when they are incurred.

Therefore, cash accounting does not record payables and receivables, while accrual accounting does.

External reporting

As an incorporated organisation, you will be required to send a copy of the financial statements (signed by your President and Treasurer) to the Office of Fair Trading.

If you are also a charity registered with the Australian Charities and Not-for-profit Commission (ACNC), you will also need to send them a Financial Information Statement.

There will be a change to the *Associations Incorporation Act* in early 2022 removing the requirement for ACNC registered charities to report to the OFT.

Audits

What are the requirements for carrying out an audit?

An incorporated association's audit obligations depends on its size and any requirements to have its financial statements audited under other laws.

- Large incorporated associations have current assets or total revenue of more than \$100,000
- Medium incorporated associations are those which are neither a large incorporated association nor a small incorporated association
- Small incorporated associations are those with current assets and total revenue below \$20,000

Large incorporated associations (and medium or small incorporated associations required to have their financial statements audited under another law) must have their financial statements audited within six months of the end of the association's financial year and those statements and a signed audit report must also be submitted to the AGM.

An audit must be conducted by someone who is:

- A registered company auditor or a firm of registered company auditors, or
- A member of CPA Australia, the Institute of Chartered Accountants, or the Institute of Public Accountants, or
- For medium or small incorporated associations, a person approved by the Chief Executive of the OFT

Small incorporated associations and medium incorporated associations don't need to have their financial records audited. However, a 'verification statement' must be prepared within six months of the end of the association's financial year and the financial statements and a signed verification report need to be presented to the AGM.

For medium incorporated associations, the signed verification statement needs to be from an auditor, accountant or another person approved by the OFT, and must state that the person has examined the association's financial records and that 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

For small incorporated associations, the verification statement must be signed by the association's president or treasurer and state that 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

A person must not audit a financial statement or prepare a verification statement for an incorporated association if that person is:

- A secretary or member of the management committee of the association
- An employee of the association
- A partner, employer or employee of the secretary of the association
- A partner, employer or employee of a member of the management committee of the association, or
- A spouse or wholly or partly dependent person of any of these people.

Budgets

A budget is a financial plan for an organisation, typically done once a year.

An annual budget preparation policy should be documented and followed. It could include some or all of the following steps:

1. Review the approved strategic plan and note all required activities for the budget year
2. Separate the activities into existing and new
3. Document all assumptions that will be made from the approved strategic plan
4. Review the previous year's income and expenditure statements by agreed period (monthly, quarterly etc.)
5. Separate income and expenses by activity or program
6. Determine the income and expense for each program and work out the changes required for each
7. Combine all income and expenses into one statement and review the financial outcome (profit or loss?)
8. Discuss any amendments required. For example, if a program is running at a loss, you may decide to drop it or else allow other profitable programs to fund the loss
9. Present the income and expenditure budget to the board or management committee for approval.

Financial policies and procedures

All organisations need policies and procedures to give clear directions to people doing the work and to protect the organisation and the people within it. Such procedures should include financial management controls.

Areas requiring controls include

- Requiring quotes for expenditure over a certain amount
- All expenditure to be by electronic transfer or cheque, with no payments to be made by cash except for items under \$100 which can be paid out of petty cash
- The person setting up electronic payments should be separate from the two people authorising the payment

Consider the following financial policies and if they are needed for your organisation:

- Financial Management and Controls (*Outlines the methods used to protect the organisations funds from theft, misuse or embezzlement and how the Committee fulfils its fiduciary duty to manage funds responsibly*).
- Purchasing
- Petty Cash
- Bank Accounts
- Reimbursements
- Investments
- Applying for Funding / Grant Applications
- Community / Business Partnerships (Sponsorships)
- Reporting to Funding Bodies
- Fundraising
- Budgets
- Financial Audits
- Asset Management

Example Treasurer Role Description

A Role Description for the Treasurer of your group may look something like

Statutory duties (i.e. those specifically required by law) are given in bold type	
Governance	Ensure that the Management Committee maintains the degree of financial literacy necessary to conduct the business of the organisation
	Advise the Management Committee on matters of finance
	Advise the Management Committee on fundraising
	Ensure that appropriate financial policies and procedures are in place and fully documented
Planning	Produce [in partnership with the Management Committee] a Business Plan for the organisation
	Ensure [in partnership with the Management Committee] the regular review and development of the Business Plan
Meetings	Report to the Management Committee at each meeting on the financial situation of the organisation
	Report to the Management Committee at each meeting on variances from the approved budget
	With the Secretary, place any necessary financial items on the Management Committee agenda in advance of the meeting
	Report to the Annual General Meeting on the financial situation of the organisation
Administrative & Management	Personally carry out financial duties as assigned
	Keep the books of the organisation
	Ensure the organisation's financial records are adequate, protected, backed up, and accessible.
	Manage the organisation's banking
	Maintain the organisation's asset register
Finance	Ensure the organisation's financial control procedures are adequate and that appropriate safeguards against fraud are in place
	Ensure that risk management strategies (including appropriate insurances) are in place
	Collect and receive all money due to the organisation and make all payments authorised by the organisation
	Oversee the organisation's investment strategy and report to the Management Committee
	Prepare the Budget for the coming year
	Review income and expenditure against the budget on a continuous basis
Legal	Ensure the organisation's compliance with all applicable tax arrangements
Other duties	As for Management Committee members (below)

Example General Committee Member Role Description

Roles and Responsibilities of all Management Committee Members

General	On being elected to the Management Committee, undertake induction and training procedures as provided by the Management Committee
Governance	Consider, debate, and vote on issues before the Management Committee on the basis of the best interests of the organisation only
	Comply with the rules, policies, and procedures of the organisation
Planning	Review and approve the organisation's Strategic Plan, and other consequential arrangements (Business Plan, Marketing Plan, etc)
Meetings	Attend all meetings, or, if absolutely unavoidable, apologise in advance for absence
	Where Management Committee papers are circulated in advance of the meeting, read papers and consider issues before the meeting
	Contribute to the discussion and resolution of issues at meetings and otherwise as appropriate
Administrative and Management	Serve on Management Committee Sub-Committees as required
	Review and approve the organisation's systems for financial control and risk management
	Undertake administrative duties as required
	Understand the organisation's finances (including solvency)
Media	Make comments to the media only as provided in the organisation's Media Policy
Promotion	Promote the organisation in the community as opportunities arise
Fundraising	Participate enthusiastically in any fundraising approved by the Management Committee
Legal and Ethical	Avoid making any improper use of their position in the organisation so as to gain any material advantage for themselves, or for any other person, or to the detriment of the organisation
	Avoid making any improper use of any information acquired by virtue of their position in the organisation so as to gain any material advantage for themselves, or for any other person, or to the detriment of the organisation
	If they have any direct or indirect material personal interest in any contract with the organisation, inform the Management Committee immediately
	If they have any direct or indirect material personal interest in any contract with the organisation, not vote in the Management Committee on that issue
	If they have any non-material personal conflict of interest in any matter before the Management Committee, or believe that the perception of such a conflict might arise, inform the Management Committee immediately and follow the Management Committee's rulings as to proper procedure
	At all times conduct Management Committee business politely and with consideration for others, without ill feeling, improper bias, or personal animus

Additional Useful Resources

Australian Charities and Not-for-profits Commission (ACNC) - [Setting up strong financial controls | Australian Charities and Not-for-profits Commission \(acnc.gov.au\)](#)

Australian Institute of Company Directors – *Good Governance Principles and Guidance for Not-for-profit organisations* <https://www.companydirectors.com.au/~media/cd2/resources/director-resources/nfp/pdf/nfp-principles-and-guidance-131015.ashx>

Institute of Community Directors Australia - <https://communitydirectors.com.au/tools-resources/home> A range of tools and resources.

Governance Institute of Australia – Their NFP Resource Centre has many example documents such as Board Protocols, example meeting agendas, etc.

Justice Connect / NFP Law - <https://www.nfplaw.org.au/governance>. A wide range of resources providing information on the legal duties and responsibilities of Boards / Management Committees.

QUT's Developing Your Board Project - <https://wiki.qut.edu.au/display/CPNS/DYB+Home>. This wiki contains lots of information on developing and strengthening boards and governance processes. While it is a little dated (it was written in 2008), their *Developing Your Organisation Manual* contains a lot of useful information - <https://wiki.qut.edu.au/display/CPNS/Developing+Your+Organisation+Manual>

Ourcommunity.org.au - The Boards section includes information on governance issues in not-for-profit community organisations. See particularly their resource *Damn Good Advice for Treasurers: Twenty-five questions a not-for-profit Treasurer needs to ask* https://www.ourcommunity.com.au/financial/financial_article.jsp?articleId=5902

Australian Indigenous Governance Institute - <https://toolkit.aigi.com.au/> They have developed a Governance Toolkit which includes a section on 'Governing finances and resources'.

Action plan from today's webinar

Webinar Topic	Action(s)	Who	When

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