Enhancing Not-for-profit and Charity Reporting

Part A: Enhancing Performance Reporting
November 2021

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Contents

NFPs are faced with a unique challenge: How best to deploy limited resources to achieve a seemingly infinite need in the community?

Foreword

The not-for-profit (NFP) and charity sector is often seen as the backbone of our communities – providing support and giving a voice to those in need. And whether in their role as advisors, auditors, employees or volunteers, Chartered Accountants provide trusted guidance to these organisations and help drive them towards their mission.

Chartered Accountants Australia and New Zealand (CA ANZ) is a strong supporter of these organisations and understands the crucial role they play across Australian and New Zealand communities.

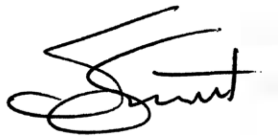
CA ANZ has published this guide, Enhancing Not-For-Profit and Charity Reporting, to assist organisations in the NFP and charity sector in their ongoing efforts to attain best practice in their annual, financial and performance reports.

As this sector operates within a changing and often complicated regulatory framework, high quality reporting is becoming increasingly important with funding providers paying particular attention to both non-financial and financial information when weighing funding decisions.

Additionally, many people who donate – whether large or small – are becoming increasingly conscious of the information behind charities to ensure they are being transparent and are held accountable.

This guide assists in showing how, through relevant, transparent and engaging reporting, an organisation can tell its story about why it exists, its aims, its successes and its challenges. The recent revisions in the reporting requirements for the sector in Australia and New Zealand also mean this guide can help provide practical assistance for organisations as they work through these changes.

I would like to extend my appreciation to the members of the CA ANZ Charities and Not-for-Profit Advisory Committee who are dedicated to the sector and contributed their insights and experiences in the development of this guide.



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Acknowledgements

CA ANZ acknowledges and thanks BDO Australia for donating their time and expertise in developing and updating this guide.

BDO understands the unique audit, tax and advisory requirements of the not-for-profit sector, which comes from their experience in acting for the sector over many years. BDO knows that not-for-profit organisations are founded upon strong relationships. A value BDO shares and is known for.

BDO's experienced not-for-profit advisory teams work closely with their clients to design cost-effective approaches to improving operational performance, while maintaining a strong commitment to the communities they serve.

BDO takes time to develop a solid understanding of a client's organisation, their mission and values, and combine this with BDO's in-depth knowledge of issues affecting the not-for-profit sector to deliver proven results. BDO can help clients navigate:

- National Disability Insurance Scheme (NDIS)
- No-for-profit advisory for key sector challenges
- Strategic not for profit advisory and business planning
- Human capital solutions
- Identification of risk in the not-for-profit sector
- Technology and infrastructure
- Not-for-profit tax exemptions and concessions
- Not-for-profit advocacy
- Project management and implementation
- Compliance including regulatory and financial reporting.

BDO understands that 'not-for-profit' describes a number of different types of organisations, including educational institutions, charities, healthcare, sporting and community clubs, and membership organisations. With this front of mind, BDO provide advice that reflects the nature of a client's organisation – with their unique needs, challenges, not-for-profit advocacy and opportunities.

Read more about BDO's not-for-profit services at: https://www.bdo.com.au/en-au/industries/not-for-profit.

Introduction

Welcome to this seventh edition of 'Enhancing Not-for-Profit and Charity Reporting'. This guide is intended to support organisations in the NFP and charity sector in their efforts to attain best practice in their annual, financial and performance reports.

This guide is designed for NFPs and charities in both Australia and New Zealand, enabling guidance and learnings from both countries to be incorporated into the recommendations, examples and checklists. NFPs are faced with a unique challenge: How best to deploy limited resources to achieve a seemingly infinite need in the community?

In theory it seems relatively simple to create a common framework to define what 'performance' looks like across NFPs. In practice however, every NFP is highly unique and adopts their own special way of approaching and delivering their work. This has evolved over time and is a feature of NFPs – the fact that they can adapt, respond, and intervene to support those most in need across the country, when everything else fails.

The reporting landscape for NFPs is evolving. Now, more than ever NFPs are being required from their stakeholders to report on much more than just traditional financial metrics and performance.

While it is relatively easy to report on tangible outputs, reporting on outcomes, impact and performance can be both complex and challenging. Also creating a consistent and meaningful context can be a challenge. For example, you can have a high level of outputs but achieve low levels of outcomes and impact. Alternatively, you can have low levels of outputs but achieve great outcomes and impacts. The connection between these two variables is critical to demonstrate how effective you are (your performance) about leveraging your inputs to create outputs and achieve outcomes.

So how do we compare apples with apples?

Adopting a common framework would potentially mean stifling the culture of care, innovation and compassion that is a key attribute of this sector. Accordingly, the approach taken in this guide is around defining:

- Who you are and why you exist?
- What makes you unique?
- How do you define and measure your performance?
- What does good or bad performance look like?
- So what?

This guide aims to help you answer these questions.

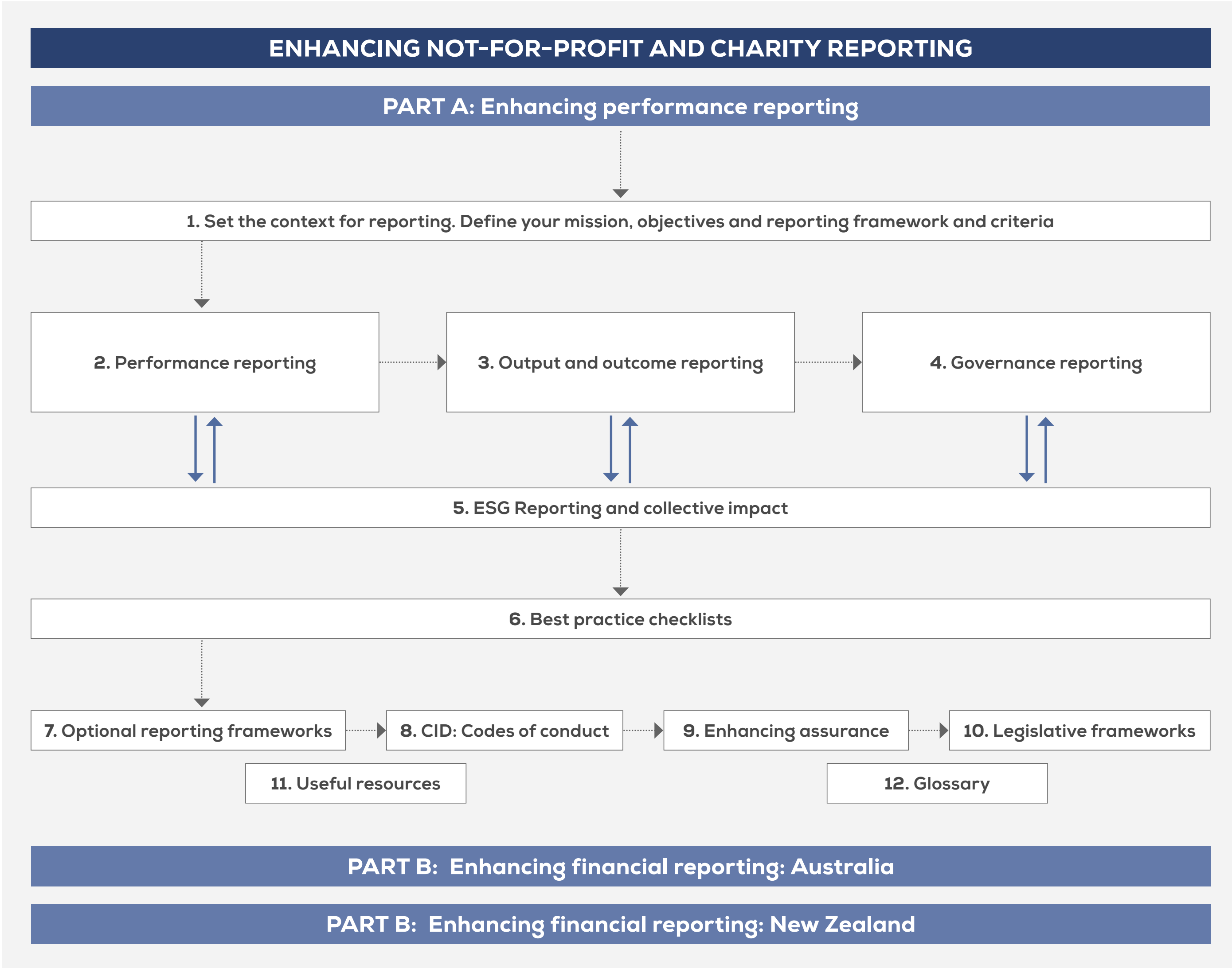
Performance reporting should be integrated into your annual reporting so the one report tells your organisation's full story.

About this guide

To facilitate easy access to the most relevant recommendations and guidance, this edition is split into two parts:

- **Part A: Enhancing performance reporting:** designed for charity and NFP organisations in Australia and New Zealand, this part draws on learnings from sector regulators and leaders in each country given the commonalities in annual and performance reporting.
- **Part B: Enhancing financial reporting:** offered as two separately published editions, one for Australia and one for New Zealand, each edition focusses on the financial reporting framework in the relevant jurisdiction.

These are structured as follows:



PART A: Enhancing Performance Reporting

Can you demonstrate to your funders and your stakeholders that you are delivery capable and 'investment' ready?

A changing funding landscape

Traditional block grant funds and donations with a focus on receiving money and then acquitting funds as spent are fading away. In its place, in an increasingly competitive funding landscape is coming an increased demand from funders for more information:

- What's your environmental, social and governance (ESG) performance and impact?
- How do you align with and contribute to the sector value chain on the bigger scale?
- What impact did you make?
- Did you achieve your objectives?
- Are you sustainable and do you contribute to sustainability?
- Do you have robust, transparent and professional governance?
- Are you a low risk and high impact funding choice to funders?

These are complex questions, and for many NFPs these can provide a real challenge. You are often the ones dealing with the most vulnerable people in society, and now you are being asked to collect information on them and report.

Why report?

The ACNC reports that there are over 56,000 registered charities in Australia alone. Across the country there are estimated to be as many as 600,000 NFPs of various types. New Zealand has almost 115,000 NFPs, of which 28,000 are registered as charities with Charities Services. All registered charities, and many other NFPs, report in some capacity.

The funding landscape is increasingly competitive. Charities and NFPs compete for scarce donations and philanthropic funds whilst Governments are increasingly changing the grants landscape.

If done well, enhanced performance reporting will:

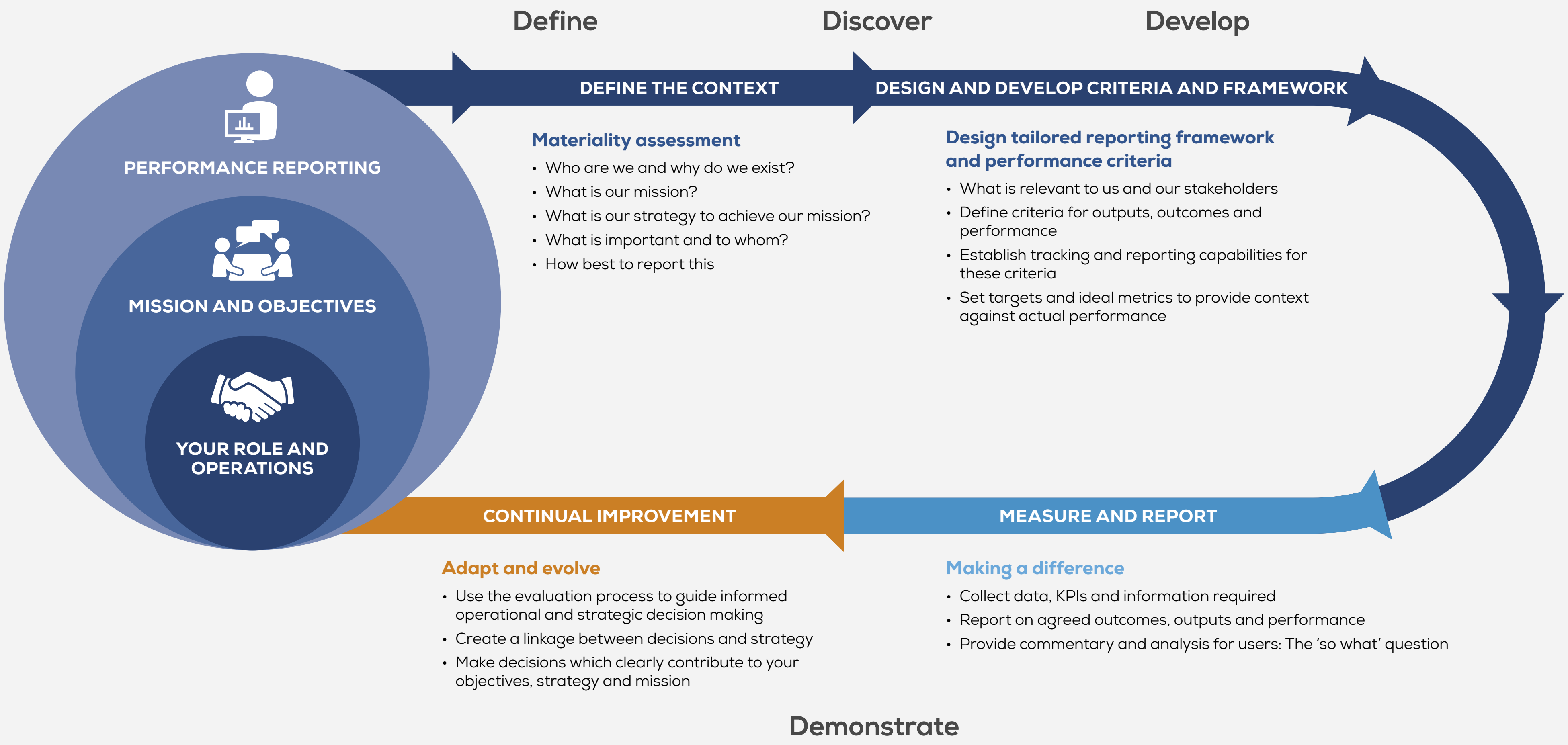
- Shine a light on your organisation and the great work it does
- Help you demonstrate to existing and potential funders that you are delivery capable and 'investment ready'
- Provide funders with the confidence that you represent a low risk and high outcome funding choice
- Provide clarity, transparency, and confidence to stakeholders that you have excellent management, robust governance and critically analyse your performance to continually improve.

Where do I start?

This guide is designed to help you identify your own strategic intent, objectives and define your performance. From there, it will help you track, monitor and report on your performance and impact.

It has been setup in a logical workflow sequence that assumes you are just starting out on this journey. For those who are further along the pathway already, please jump in at the relevant point in the process.

THE PERFORMANCE JOURNEY



1. Set the context for reporting

This guide provides a route map for your organisation to continuously improve its reporting on how it is fulfilling its purpose and achieving the change it seeks.

It is founded on the principal that every NFP is uniquely and inherently different. As such, the way in which you report and what you report will also be unique. This section aims to help you define your context and 'tailor' the best practice reporting to your specific needs, where it will have the most impact and relevance.

1.1 What do you do and why? (The why?)

The first question to ask yourself is why does your organisation exist?
You will probably know that answer inside out.

The next question is what do you do about that?
In these two simple, yet complex questions you have probably identified a long list of reasons about why you exist and how you go about your purpose. As experts in your fields, you more than anyone understand the strategy and the impact you have. The key to meaningful, relevant reporting is succinctly communicating this to your audience.

It is also important to frame this up in the context of your organisation compared to others. What is relevant to you will be different to others. Likewise, the values, ethics and culture you apply will be uniquely you.

As we progress through this guide it is important to keep at the front of your mind.
Who are we and why do we exist? What makes us unique?

This lens will help ensure that the reporting outputs are relevant to you and your mission and respect your unique way of doing things.

1.2 Desired outcomes/objectives (Your goals)

The second step in setting the context is defining your ideal or targeted outcomes and objectives. You may have very specific objectives, or they may be broader. For example, you may exist to help alleviate animal suffering in general, or you may specifically have the objective of re-homing 100 cats per year.

Whatever your objective, it does not matter, if you can link your objectives to your mission, and you can define what your objective is. The key is to have clear, measurable objectives. For those organisations who have complex objectives that are not clear or have objectives which are extremely difficult to measure – this guide will help you define and set appropriate measures to report on those as well.

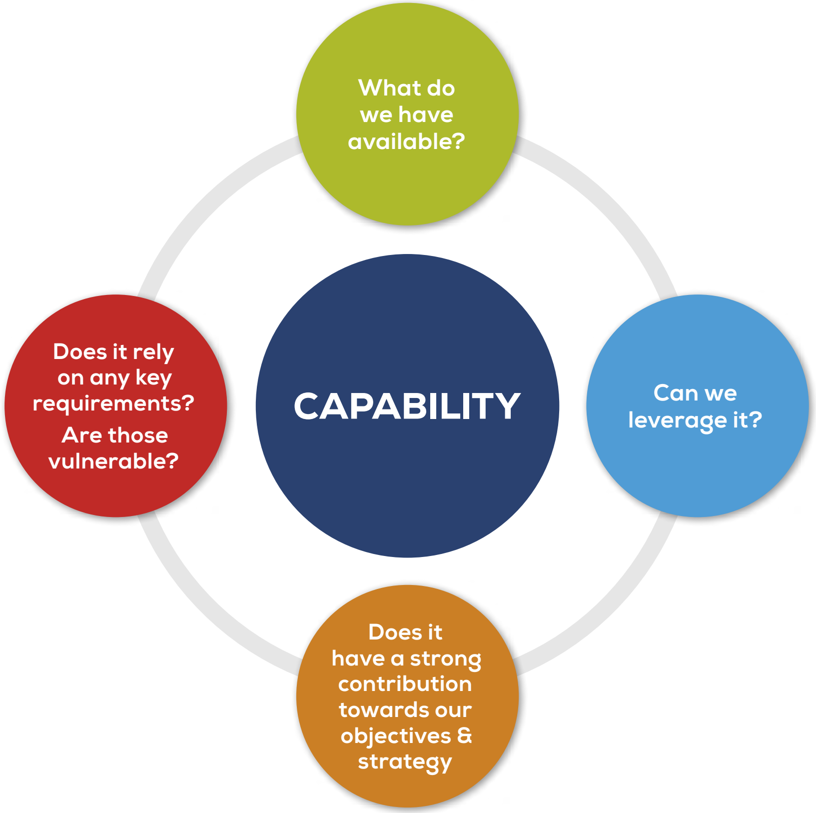
1.3 How you achieve these in practice (Your method)

Many organisations may end up with the same objectives, particularly in the same 'sub-sectors' such as aged care, disability, education welfare, etc.

However, you will notice that just because organisations have very similar objectives, they all go about their work slightly, or even very, differently. This is because the environment they operate in may be different, they have a unique capability set (or lack thereof), they apply specific beliefs and values (religious or fundamental approaches and methodology) or because they have developed a highly successful and innovative way of doing things.

Either way, comparison is not the main purpose of the exercise. What is important is defining how you approach your objectives and understanding why. As part of this it is critical to extend that to questioning and then demonstrating the best application of your limited resources to achieve your objectives.

A good way to think about this is a simple capability analysis. An illustrated example is below:



An illustrated example is below:

Capability	Do we have this capability?	What's the extent of it?	Can we leverage it?	Does it have any critical requirements?	Do those requirements have any critical vulnerabilities?	Can I mitigate or protect those vulnerabilities?	Does or can this capability contribute to our objectives?
Funding	Yes	Limited - $1m p.a	Yes	Yes – ongoing funder support (Dept of xx)	Yes – funder requires us to provide xx no of occasions of service per year by a qualified xxx	Yes – We have employed 2 part-time resources for the duration of the funding deed.	Yes – significantly enables achievement of objective 1 'xxx'
People	Yes	25 FTE	Yes	Yes – requires ongoing funding for wages Requires recruitment, d development & retention of highly capable staff & volunteers	Yes: Funding is limited Labour market is competitive Limited funds available for CPD Limited career development Short term contracts	Partially: Investing in retention strategies Developing new revenue streams Paying competitive remuneration by including non-cash benefits	Yes – Objectives 1, 2 & 3
Buildings	No – we rent our premises	Limited, rented space	No				
Unique IP for program delivery	Yes – we have developed a highly successful program method	Documented policy and procedures and related materials exist	Yes – provide to other organisations to use to increase overall impact	Yes – requires SME	?	?	?
Our culture and ethos	Not yet completed	Not yet completed	Not yet completed	Not yet completed	Not yet completed	Not yet completed	Not yet completed

The final takeaway is to critically analyse the capabilities you have available, how you deploy them and the outcomes they achieve. Think about how they contribute to your objectives and your mission. Can you define one or more measurements of those? If you can – this is the starting point to developing meaningful performance and impact KPI's that align what you do, with why you do it (operations aligning to and contributing to strategy).

1.4 How do you measure (create a performance framework, measure and report)?

Once you have defined who you are, why you exist and completed an analysis of your capabilities and how they are applied, you will hopefully start to form a picture of some useful, meaningful and tangible metrics that can be measured.

The trick at this stage is to identify as few as you can, but make them highly relevant, highly reliable and demonstrably critical in what you do. It is better to have 20 good metrics than 200 misaligned and random metrics.

It is a good idea at this point to document your metrics. A good way to do it is through a table:

Capability	Contributes to achievement of objectives	Can this be measured directly?	If not, can we design indirect measurements?
Funding	Contributes to objectives 1, 2 and 5.	Yes – funding of $1m p.a is required.	N/A
People	Contributes to objectives 1, 2 and 3.	No	KPI designed as: 1. Maintain core staff of 25 FTE 2. Maintain volunteer pool of 10FTE 3. Invest in minimum of 10 hours CPD per FTE p.a 4. Staff engagement and wellbeing assessed as 'excellent' in quarterly surveys

Tip

Do a quick check and make sure every objective has at least a few good capabilities linked to it. And for each of these, at least a few sound measurement/KPI's.

1.5 What does good or bad performance look like?

This is a surprisingly important question. What is 'good' performance will look different from organisation to organisation, and change depending on the context you operate in.

For example, if you exist to end the cruelty to animals but you helped twice as many animals this year. Is that a good or bad thing from a performance perspective? The answer could be both, depending on what you exist to provide. If you exist to provide care to animals, then helping twice as many may be an excellent achievement. However, if your goal is to reduce this occurring in the first place, then it is a negative result from an objectives perspective.

It is important to link performance to your context to make sure your audience views the results in the right way. Importantly your performance and impact metrics should clearly align and contribute to your objectives if structured well.

EXAMPLE: We exist to provide care to injured animals

Objective 1: provide 1,000 care hours of support to injured animals over the year

Result: provided 1,100 hours of care over the year (+10% of objective)

1.6 So what?

The 'so what' is the next step. This is where you frame your success and improvement areas to provide more meaning for your audience. With the animal care example, the so what is what happened to those 1,100 animals? Did they get better, did we make a difference to their lives and/or the environment? Did we contribute to the national effort in this space?

The so what helps users understand the actual impact of what you achieved. It is possible to achieve outstanding performance metrics, but poor impact. Likewise, the converse can occur. Ideally however, organisations will achieve outstanding performance and concurrently be making an impact. Maybe they are one in the same in some cases!

The outcome of reporting is to be transparent, genuine and build confidence. Now that you have defined and reported on what you have achieved. It is time to start telling your audience what you plan to do next and invite them on that journey.

2. Performance reporting

2.1 Set the context: What does good performance look like?

What are you trying to achieve? What is performance? What does good or bad performance look like?

The key to this step is communicating succinctly, clearly and with well thought out alignment between your inputs, outputs and objectives, framed in the context of your strategy.

2.2 Reporting your performance: best practice guidelines

Enhancing annual performance reporting: overall recommendations are shown in this table below.

1. Tell your story	'Tell your story': The clearer the thinking and planning, the easier it is to report on, and the higher the quality of the information communicated to stakeholders. The information provided to stakeholders needs to be readily understood and meaningful. Not too much, and not too little.
2. Present balanced reporting	Truly transparent reporting involves reporting of all material facets of the operations and includes balanced disclosure of both positive and negative impacts and performance. Report on internal and external factors that have impacted performance. • Provide explanations for negative trends and movements between years (including KPIs, outcomes and outputs).
3. Disclose your risk management	Reporting of risks is critically important to stakeholders. Effective reporting should be specific to the entity, identifying areas of potential weaknesses and associated risks. • Clearly report how the entity plans to address and mitigate the impact of weaknesses and risks. • Demonstrate your readiness for future challenges and how you will use management and controls to identify and address issues. • Include: – detail about the processes to identify, monitor and mitigate risks – consideration and disclosure of the controls in place to mitigate risks – detail of the risk identified in the current year and how these were addressed – inclusion of details of all material business risks, not purely financial-related risks.
4. Communicate your strategy	Let your stakeholders know your strategy and how you plan to achieve it. • Make the strategic plan or, at a minimum, the strategic goals for the period available on your website. A link or QR code to the website could be included in the annual report. • Provide a summary to assist the review of the NFP's performance for the year as well as how the current year's strategy links to the longer-term strategy of the organisation. • Consider demonstrating the measurability of your goals and each year present your progress against these goals within the strategic timeframe. Comparing against targets or budgets could be a useful measure. • Include a summary of future plans to achieve targets, especially when progress has fallen short of the original plan.

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2.2 Reporting your performance: best practice guidelines *continued*

5. Report your outcomes and outputs	Enhance the effectiveness of your annual reports by reporting on whether you are having the impact you set out to achieve through providing qualitative and quantitative information on outcomes and outputs. Outcomes are the impacts on or the consequences for the community resulting from your NFP's activities. They explain what you are seeking to achieve over the short to medium term. Outputs are indicators measuring the activities undertaken or the goods and services produced and provided to users by the entity. • Report the outcomes and outputs that are significant to the performance of the entity. Some outputs are not quantifiable. Only put a quantity if it makes sense to do so. If not, just write a description. • For entities who rely on government contracts or grants, outcomes and measurable outputs can often be drawn from these funding agreements or contracts. Outputs can be taken from set milestones or performance measures required by the funder, while outcomes are often explicitly stated in the agreement. • Consider demonstrating outcomes and/or impacts through case studies and testimonials to illustrate organisational outcomes and impacts. • If your NFP runs programmes and mounts activities designed to deliver outputs and achieve outcomes over the long term, consider including long-term trend data. • Ensure that any metrics provided can clearly link to the overarching strategy of the organisation and within the broader sector in which they operate.
6. Disclose the sources of funds and sustainability of your funding	Consider providing greater detail of actual fundraising against targets, with supporting commentary. Provide information specifically on where a donor's funds went, dollar for dollar, how this compared to target/budget and a self-assessment of performance. Disclosure about funding should not be limited to current year data. Its important stakeholders can assess the viability of your entity and the extent to which you rely on certain revenue streams, particularly government funding. Consider reporting on the sustainability of the different types of funding. This could include: • analysis of key movements (including reason for movements) • factors affecting key drivers • actions going forward.
7. Link remuneration and performance	Consider building trust about the expenditure of the organisation by providing: • further disclosure on the remuneration of key management personnel (board members, the CEO or equivalent and other key decision makers within the organisation) beyond the minimum required by the relevant accounting standard • details of the approval processes of such remuneration • disclosure on how performance is monitored for management and the board.

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2.2 Reporting your performance: best practice guidelines *continued*

8. Share information about employees/volunteers	Consider making certain internal material covering employees and volunteers publicly available either in the annual report or on your website.
9. Clearly report your investment policy	Consider providing clearer reporting of your investment policy and how this is aligned to your overarching strategic plan/priority statement. Further disclosures could include information about: • management of investments • investment targets • investment performance.
10. Report on your sustainability	Disclose how your entity contributes to the improvement of economic, environmental and social conditions and developments at a local, regional and global level to add significant value to stakeholders.
11. Present an analysis of your financial performance and position	Include an explanatory narrative when disclosing key financial ratios with comparatives (or against targets). This narrative should aim to support and explain key movements/changes compared with the prior year and against budget or targets.
12. Apply good design and consider online reporting	Annual reports, and other publicly available resource material, should be unique and representative of the vision, mission and values of your organisation. Best practice annual reporting for NFPs has seen a reduction in the content of the actual annual report, instead providing more detailed information on the NFP's website, where it can be updated and revised more frequently as needed. 1. Consider whether you can improve the visual appearance of your annual reporting by making better use of infographics, summaries, bullet points, graphs, photographs, contents pages, tables and websites. 2. Be aware of the risk of reducing the value of the information if design and layout is overemphasised and if narrative is particularly dense or voluminous. 3. Continue to use and further develop web-based reporting. 4. Consider making greater use of your website to provide detailed information to support the annual report.
13. Involve the right people	Non-financial information is best prepared by those that know your entity and its performance best. This is often not the accountant or treasurer alone.
14. Consider internal system changes to capture non-financial data to measure impact	Consider whether your organisation should change or improve its internal systems so non-financial data is captured as easily and accurately as possible. This could include considering how current financial systems could also capture non-financial information at the same time. This is particularly important when this data is subject to audit or review.

2.2 Reporting your performance: best practice guidelines *continued*

Practical tips

- **Language:** Use as few words as possible. Be fair, transparent and balanced in your assessment.
- **Summary:** Provide a high-level summary.
- **Set the context:** Define at the high level your mission, objectives, and your strategies to achieve. Provide linkage to your strategic plan.
- **Capability and risk:** Provide a summary of your key capabilities deployed/leveraged to achieve your mission through your strategy. For each, consider the risks and critical requirements and how you mitigate or protect each.
- **A picture tells a thousand words:** use infographics and meaningful visual representations to communicate your performance.
- **Define your performance metrics and any assessment criteria** (i.e subjective wellbeing scores, acronyms, self-rated scores, qualitative or subjective data and results).
- **Build confidence:** If you have had your performance results audited, let users know which KPIs or results have been subject to external independent assurance.
- **Demonstrate contribution of performance to outcomes:** Explain relationship between activities and outcomes.
- **Critically review your report** and ask yourself does this demonstrate that our organisation is well governed, robust, resilient, delivery capable and 'investment' ready?
- **Play devil's advocate on your chosen KPIs and results:** Are they valid, credible and reasonable? Do they make sense? Can you increase audience confidence on how you selected them and what your performance was?

Example reporting

Contents	KPI description	Previous result	Current result	Target result	Analysis
No. of occasions of service		1,000	1,100	1,050	+10% on target
Service hours provided		5,000	4,900	4,500	Funded hours decreased from PY.
Subjective wellbeing – clients	Subjective wellbeing is assessed at the beginning of client engagement and at the end to measure subjective wellbeing impacts from our intervention program. It is scored as an average result for all clients on a scale of 1-9.	6	7	8	Below target but improving
No. of volunteers		25	15	10	We are moving to a new model where we have a smaller, core group of volunteers who provide on average 20 hours per week of service (PY ave. = 5 hours each.)

3. Output and outcome reporting

Outputs are simply what the organisation did and produced during the year. Increasing outputs may not necessarily mean you also increased performance and impacts.

Outcomes are the measured benefits you provided, relative to your mission, strategy and objectives.

FOR EXAMPLE:

1. You provided 1,000 hours of care during the year. **This is an output.**
2. On average, these clients reported that their wellbeing had increased by 20% and they had 25% less admissions to acute care facilities post engagement. **This is an outcome.**
3. We set a target of 950 hours of care to achieve a 10% increase in reported wellbeing. We achieved 1,000 hours of care and a 25% increase in wellbeing. **This is performance.**

Impact reporting provides users with the tangible information they need to see how you are achieving your strategy and mission, and the tangible benefit you are providing.

3.1 Set the context: What does good impact look like?

This should be framed in the context of what your mission, objectives and strategy are.

If you report 1,000 hours of care provided as an output, it is important to help readers put that into perspective. How many hours did you provide last year? How many hours did you plan to provide this year? How many hours did you need to provide to achieve your mission?

By providing some extra information around these parameters it helps users understand your targets and how they align to your strategy, objectives, and mission.

The challenge

Outputs are generally relatively easy to measure (hours of care, occasions of service, bed nights, no. of children engaged with youth programs etc). Outcomes are often exceptionally hard to measure and can be long term in nature. This creates some unique challenges when reporting on an annual basis.

3.2 Reporting your performance: best practice guidelines

For outcomes, the key to addressing the inherent measurement challenge is creating a robust listing of outcome reporting indicators. It is likely these will be a mix of qualitative, quantitative and subjective measures. Given the often-long term timeframes that outcomes will be achieved over (i.e an intervention may change someone's life trajectory) it is also important to consider an appropriate mix of lag, lead, and subjective indicators.

An example of some generic outcome indicators is below:

Subjective wellbeing and qualitative data:

- Surveys from target group
- App data and results from engaged group

Quantitative results:

- Reincarceration rates
- Re-offense rates
- Attendance
- Employment outcomes
- No. of people reintegrated back with community following intervention

Calculated results:

- Economic cost/benefit from increased participation rates in economy
- Economic cost/benefit from decrease in suicide and self-harm rates
- Economic cost/benefit from reduction in youth crime and incarceration

3.3 Suggested output and outcome indicators by entity type

Type of entity	Outputs	Qualitative outcomes	Quantitative outcomes	Calculated/Estimated outcomes
Drug advice	• Number of information sessions delivered to schools or community groups • Number of addicts assisted • Number of people assisted by outreach programmes • Number of people assisted by training programmes as part of rehabilitation	• Subjective wellbeing and outlook of drug users • Self rating of support networks and systems	• Penetration of drug use in the community served by the centre • Number of programme participants who re-present • Number of people assisted by training programmes as part of rehabilitation who find full-time employment	• Economic cost/benefit of decreased visitation to the State Health system • Economic cost/benefit from increased social-economic participation • Social capitals contribution
Grant-making	• Number of grants made during the year • $ value of grants made during the year		• Expected and actual outcomes of activity funded by the grant (for example, research results, students who complete education)	• Portfolio/collective impact from funded projects
Disease-focused	• Number and value of grants made for research • Number of sufferers assisted with equipment or subsidies for medication • Number of sufferers transported for treatment • Number of sufferers cared for in facilities • Number of information packs provided to sufferers and sufferers' families • Number of volunteer hours provided to assist families of sufferers • Number of contacts with policy makers	• Subjective wellbeing and life outlook survey results	• Outcome of research funded by the organisation (for example, changes in the approach to care) • Prevalence or occurrence of the disease • Expected outcomes for sufferers of the disease • Advocacy outcomes	• Economic cost/benefit from increased social-economic participation • Social capitals contribution

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3.3 Suggested output and outcome indicators by entity type *continued*

Type of entity	Outputs	Qualitative outcomes	Quantitative outcomes	Calculated/Estimated outcomes
Overseas aid or microfinance	• Number of people assisted • Number of programmes delivered during the year, analysed by nature of programme and location of delivery of programme • Number of volunteers placed in overseas locations to deliver aid • Value of aid provided (including the value of in-kind donations distributed) • Number of people trained by programmes		• Economic benefits to the community – number of microbusinesses started and their progress, livestock purchased, agricultural improvements and their progress • Measures of the standard of living of the community such as percentage with access to clean water, vaccinated or malnourished • Educational benefits to the community – number of children completing primary school	
Homeless or needy assistance	• Accommodation available (number of beds) • Number of people sheltered • Number of meals provided or delivered • Number of children provided with educational assistance • Value of clothing provided • Number of families assisted with food and clothing vouchers		• Utilisation of care – number of bed nights provided as a percentage of bed nights available • Number of homeless in the community • Number moved to permanent accommodation • Advocacy outcomes – changes in legislation or regulation; funding provided for facilities • Number of children completing education to a certain level as a result of assistance provided	
Sustainable living and climate change advocacy	• Number of information sessions delivered to schools or community groups • Number of low-emission light bulbs, water-saving taps or shower heads distributed • Advocacy activities undertaken such as submissions to government enquiries		• Changes in water or energy consumption in the community served by the organisation • Changes in emissions by the community served by the organisation • Changes in policy, legislation or regulation as a result of advocacy activities	

Continued overleaf ›

3.3 Suggested output and outcome indicators by entity type *continued*

Type of entity	Outputs	Qualitative outcomes	Quantitative outcomes	Calculated/Estimated outcomes
Children's education and services	• Number of training programmes delivered • Number of children assisted		• Number of marginalised children enrolled into mainstream services • Increase in the number of families more socially connected • Percentage of parents with improved parenting skills	
Aged-care provider	• Accommodation provided (number of beds) • Activities provided • Operational compliance	• Subjective wellbeing survey results from residents • Residents perception of their ability to have choice in their care • Resident quality of life, self-assessment	• Utilisation of care provided, bed occupancy rate • Number of people engaging in activities provided • Changes in quality of care	
Intellectual disability support	• Number of people assisted • Number of people accessing services		• Improvements in community integration • Changes in employment legislation	
Affordable housing provider	• Number of houses developed • Number of tenders applied for • Tenant satisfaction		• Number of homeless people now housed • Number of people on the housing waiting list • Percentage of parents with improved parenting skills	• Number of people diverted from being homeless and the economic cost/benefit from decreased emergency housing
Land and species conservation	• Number and area size of land preserved and revegetated • Number/percentage of native plant, animal or bird species protected		• Number of native animals recorded in a specific location for the first time/for a long time • Increase in population numbers of specific species • Reduction in feral animals and/or foreign and invasive plant species	

Continued overleaf ›

3.4 Sporting NFPs and charities

Type of entity	Outputs	Qualitative outcomes	Quantitative outcomes	Calculated/Estimated outcomes
Promotion and development	• Number of promotion events conducted • Number of promotion kits distributed • Media coverage • Number of contacts with relevant local, state or national government politicians or officers • Number of coaching clinics conducted		• Number of new participants recruited • Growth in number of participants • Percentage of young people in the catchment area who participate in the sport • New facilities made available or funded	• Lifetime economic cost/benefit of decreased health system visitation
Competition	• Number of events held • Number of events participated in • Teams fielded		• Competition results (team and individual) • Improvement in results compared to previous seasons	
Participation	• Number of members registered with the entity • Number of members participating during the season		• Percentage of registered members who participated in competitive or recreational activities during the year • Number of members participating in the sport during the season	
Encouragement and talent development	• Number of development squads conducted • Number of members selected for regional, state or national training squads		• Number of members selected for training squads who are selected for regional, state or national team	

Continued overleaf ❯

3.4 Sporting NFPs and charities *continued*

Type of entity	Outputs	Qualitative outcomes	Quantitative outcomes	Calculated/Estimated outcomes
Coaching development	• Number of coaching information sessions conducted • Number of enrolments for coaching education programmes • Number attending accreditation sessions • Number of new coaches accredited during the year • Number of coaches retaining accreditation		• Number of new coaches accredited	
Official development	• Number of information sessions for officials • Number of update sessions conducted • Number of enrolments for official education programmes • Number attending accreditation sessions • Number of new officials accredited during the year • Number of officials retaining accreditation		• Number of new officials accredited	
Compliance	• Number of player education (including anti-doping) workshops conducted • Number of players subjected to drug tests • Number of drug tests conducted		• Outcomes of drug tests • Outcomes of tribunals	

3.5 New Zealand specific requirements

3.5.1 Tier 1 and 2 charities

For annual financial reports covering periods beginning on after 1 January 2022 Tier 1 and 2 charities will need to provide **service performance information** in their financial report, describing what the charity has done during the reporting period in working towards its broader aims and objectives. To do this they need to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its general purpose financial report with sufficient, but not excessive, information about its service performance for the period.

Learn more

Read PBE FRS 48: https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-frs-48/

3.5.2 Tier 3 and 4 charities

Tier 3 and 4 charities have had to include a **Statement of Service Performance** in their Performance Report since 31 March 2016 balance dates, to provide non-financial information to help readers understand what the charity did during the financial year. It is about answering two key questions:

- What did we do?
- When did we do it?

Tier 3 charity: Must report on outputs and outcomes.

Tier 4 charity: Must report on outputs but may also report on outcomes (ie optional).

Outputs: describe and quantify (where practicable) the goods and services delivered by the charity in the past financial year. The measure is usually the number of services or goods delivered or number of people helped (ie not a dollar figure).

Outcomes: describe what the charity is seeking to achieve or influence through the delivery of goods or services. This is likely to be closely related to the charity's mission/purpose, although it should be more specific and focused on what your charity is seeking to achieve in the short to medium term.

Learn more

XRB Tier 3 and 4 simple format reporting standards and guidance: https://www.xrb.govt.nz/accounting-standards/not-for-profit/?filter=tier-3

XRB Tier 3 and 4 reporting templates: https://www.xrb.govt.nz/accounting-standards/reporting-templates/

4. Governance reporting

Governance reporting is about demonstrating that you are a robust, professional, and well governed organisation. If done well, it should give readers of your reporting confidence that you represent a low risk, high impact funding choice.

As charities and NFPs you will all have governance of some description. However, every organisation will approach best practice governance in a different way, relative to their unique operating model and requirements. The governance you adopt is not as important to readers as the governance outcomes you achieve. What readers want to know is that you have adopted a best practice governance framework suited to the organisation, and that the organisation lives and breathes that governance in practice.

4.1 Set the context: What does good governance look like?

Similar to performance, good or bad governance should be framed in a way that allows readers to understand why you have the governance structure that you do, and how it is performing.

4.2 Reporting your governance performance: best practice guidelines

- Entity information (registered office, type of entity, registrations)
- Mission and purpose
- Strategy and responsibilities
- Linkage between operating decisions and that strategic plan
- Risk management framework
- Financial management framework

4.2.1 Provide a governance summary

This should include a summary of the governance structure, how the entity is controlled and directed, accountability and responsibilities defined, how the organisation will achieve its mission.

4.2.2 Governance performance

The governance summary should inform readers about the governance you have in place and why it is appropriate. Governance performance takes that a step further and describes how effective that governance structure has actually been in practice.

In this section consider reporting on:

- Governance breaches
- Result of annual self-assessment of performance
- Compliance outcomes
- Board succession plans
- Board skills matrix and compliance
- Governance CPD completed
- Strategic plan achievement
- Mission achievement

Some NFPs or charities are required to include some form of governance information in their annual or performance report, including:

- Charities registered with the ACNC (Australia) must meet the ACNC's Governance Standards to be registered and remain registered.
- A company limited by guarantee (Australia) that is not registered with the ACNC needs to include a directors' report in accordance with the Corporations Act 2001.
- Tier 3 and 4 charities (New Zealand) need to include entity information so stakeholders know who the charity is and why it exists.
- Tier 1 and 2 charities (New Zealand) need to communicate to stakeholders what the charity is accountable and responsible for from 2022. Although there is flexibility in what is communicated and how, there must be enough contextual information so stakeholders can understand why the organisation exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this.

Learn more:

New Zealand:

Charities Services, through the XRB, provides templates including the minimum information that must be disclosed by a Tier 3 and 4 Charities in New Zealand https://www.charities.govt.nz/reporting-standards/

Charities Services provides more information and a link to Tier 1 and 2 example financial reports to help you prepare your own https://www.charities.govt.nz/reporting-standards/tier-1-and-tier-2/

Australia:

The ACNC provides a range of useful resources in its Governance Hub https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub

4.3 Illustrative examples

EXAMPLE 1: Nonquestus (Australia)

Background

Nonquestus is a significant NFP involved in the raising of funds for research to find a cure for the disease 'malaise' and the provision of long-term and respite care for sufferers of the disease. It is funded by a mixture of government grants, philanthropic grants, funds raised through annual appeals and regular giving programmes and the profits of volunteer-staffed 'op shops'. Nonquestus operates three long-term and respite care facilities and 10 op shops in Victoria and is centrally managed from Melbourne.

The long-term and respite care facilities are run in a self-funding model for operations. Capital expenditure for these operations comes from grants and fundraising. Nonquestus employs 200 people and has the assistance of over 100 volunteers at various times during the year. Turnover is more than $35 million a year.

Nonquestus is a company limited by guarantee and registered with the ACNC. Its constitution makes membership of the company available to those who have undertaken to contribute to the company's debts in the event of it winding up, to individuals who have contributed more than $1,000 to the organisation or to individuals who have made a significant contribution as volunteers. These groups are known as guarantor, donor and volunteer members respectively.

Nonquestus

Governance statement

Nonquestus is a company limited by guarantee, incorporated under the *Corporations Act 2001* and registered as a charity under the Australian Charities and Not-for-profits *Commission Act 2012* (ACNC Act). Ultimate responsibility for the governance of the company rests with the Board of Directors. This governance statement outlines how the Board meets that responsibility.

The Board's role

The Board's primary role is to ensure that Nonquestus' activities are directed towards achieving its mission of finding a cure for the disease 'malaise' and providing the best possible care for sufferers until that cure is found.

The Board fulfils its primary role by:

- setting the strategic direction for Nonquestus, assessing progress towards strategic objectives and approving policies to work towards those objectives
- selecting, appointing, guiding and monitoring the performance of the chief executive and determining his/her remuneration and conditions of service
- approving the appointment and remuneration guidelines of senior management who report directly to the chief executive
- overseeing the development and maintenance of Nonquestus's ethical standards
- ensuring optimal succession planning is in place for the role of chief executive and senior management positions
- approving and monitoring the annual budget
- monitoring Nonquestus' financial performance, including management's adherence to budgets
- considering and approving strategies and policies to ensure appropriate risk management
- ensuring the company complies with relevant laws and policies
- reviewing and ensuring that all necessary and appropriate delegations are in place to enable management to meet their responsibilities
- appointing Board committees to assist in effective governance
- acting as an advocate for Nonquestus whenever and wherever necessary.

These responsibilities are set out in the Board's charter, which can be viewed on the company's website, www.nonquestus.com.au

Management's responsibility

The Board has formally delegated responsibility for Nonquestus' day-to-day operations and administration to the chief executive and executive management. Nonquestus' management team comprises the chief executive officer, the directors of fundraising, residential care and child care and the chief finance officer. The chief executive officer provides the leadership of the management team and the organisation. The chief executive officer is also responsible for achieving the results set out in the strategic plan and is authorised by the Board to put in place policies and practices, take decisions and actions and initiate activities to achieve those results.

Board meetings and Board Committees

The Board meets at a frequency that allows it to discharge its duties. This is generally six times each year, but additional meetings are scheduled as required. Workshops or forums are held periodically to provide opportunities for further Board engagement

EXAMPLE 1: Nonquestus (Australia) *continued*

in strategic and other important issues. The chief executive and senior management also participate in Board meetings to the extent determined appropriate for each meeting. Agenda setting is a collaborative process with input from the Board Chair, Committee Chairs, chief executive and senior management with final approval by the Board Chair.

Each director is a member of one of our Board committees. The Board does not delegate major decisions to its committees but charges them with the responsibility to consider the detailed issues and to make appropriate recommendations to the Board.

Each Board committee operates under a charter approved by the Board. These charters are reviewed annually and updated as necessary. Copies of the charters can be viewed on the company's website, www.nonquestus.com.au

Nominations and Remunerations Committee

The Nominations and Remunerations Committee assists the Board to discharge the following responsibilities:

- Elect, remove and set terms of appointment (including remuneration) of the chief executive officer.
- Approve the appointment and set guidelines for the remuneration of senior management. The chief executive officer sets the remuneration for the management team within those guidelines.
- Review and monitor the human resources policies and their application.

Further, this committee oversees the appointment and induction process for Board and committee members. Recommendations for appointment are made to ensure the Board has the right mix of skills, experience and expertise. The company's guarantor, donor and volunteer members elect Board members.

The Nominations and Remunerations Committee is also responsible for ensuring the right mix of Board skills, experience and expertise is continuously available to Nonquestus through appropriate succession planning.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee assists the Board to meet its responsibilities for the integrity of financial reporting, compliance with external regulatory requirements and internal standards, the effectiveness of the internal control and risk management framework and the effectiveness of external audit functions. Specifically, the committee:

- oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information
- reviews the adequacy and disclosure of financial statements
- reviews the effectiveness of internal control and risk management systems
- reviews financial and operational risk assessments
- oversees the external audit function, including ensuring the independence of the external auditor and recommending the appointment of, liaising with and assessing the performance of the external auditor
- reviews compliance with fundraising legislation, taxation status, the Corporations Act and the ACNC Act
- monitors management responses to audit issues
- provides advice on financial and other issues.

Other committees

The Board may establish ad hoc committees and working groups for the purpose of considering and advising on specific, generally short-term matters. These report to the Board during normal Board meetings.

Board members

All Board members are non-executive directors and receive no remuneration for their services. They may be reimbursed for reasonable costs and expenses incurred in connection with Board activities.

Nonquestus' constitution provides an indemnity to directors. Appropriate directors' indemnity insurance has been put in place. The company's constitution specifies that:

- there must be no fewer than five and no more than 11 directors
- no employees of the company, including the chief executive, can be a director of the company
- directors are appointed for a maximum of two terms of four years each.

Details of the current Board members can be viewed on the company's website, www.nonquestus.com.au

Board and committee members receive written advice of the terms and conditions of their appointment and complete a structured induction programme when first appointed. Board and committee members' knowledge of the business is maintained by regular visits to Nonquestus' operations, management presentations and access to continuing education programmes as necessary.

The performance of individual Board and committee members and the Board and Board committees is assessed annually.

EXAMPLE 1: Nonquestus (Australia) *continued*

The chair

The chair of the Board is elected by the Board. The key internal roles of the chair are to:

- ensure the Board provides vision and guidance to Nonquestus
- ensure Board meetings are effective
- ensure the Board considers matters in a timely, transparent manner
- guide the effectiveness and development of the Board and individual directors.

Externally, the chair acts as spokesperson for Nonquestus in conjunction with the chief executive and consults and communicates with stakeholders.

Risk management

The Board is responsible for considering and approving strategies and policies to ensure appropriate risk management and monitors compliance with the Risk Management Policy and Guidelines. The Board has delegated its oversight of the Risk Management Policy to the Finance, Audit and Risk Committee.

Management is responsible for establishing and implementing the Risk Management Policy and Guidelines. Risk assessments are conducted, and risk across the organisation is identified for analysis, monitoring and managing. These risks comprise operational, financial and compliance risks. These risks are rated and assigned to members of senior management as the risk owners who are responsible for management of each risk. Each risk owner will adopt and approve the risk treatment plan for the risk.

All breaches of policies other than human resources policies are required to be reported to the Finance, Audit and Risk Committee. Legal risk is monitored, reviewed and managed by Nonquestus' legal advisers who report quarterly to the Finance, Audit and Risk committee.

Independent advice

The Board and Board committees have access to advice on legal, investment and taxation matters. In particular, the Board has engaged Fiducia Investments to provide advice on the management of its investment portfolio. The Board has approved risk and return parameters for investment in available-for-sale investments and receives reports from management and Fiducia Investments regarding the performance of the investment portfolio.

Conduct, ethics and conflicts of interest

Board members, the chief executive officer, senior management and staff are expected to comply with relevant laws and the codes of conduct of relevant professional bodies and to act with integrity, compassion, fairness and honesty at all times when dealing with colleagues, sufferers of 'malaise' and others who are stakeholders in our mission. Our whistle-blower policy is designed to reinforce the above culture and applies to directors, employees, volunteers, contractors and the general public to report improper conduct including matters relating to governance.

Board and committee members and staff are made aware of Nonquestus' ethical standards, code of conduct and conflicts of interest policy during their induction to the organisation and are provided with a copy of these documents at that time.

Any potential conflicts at the Board or Committee level are disclosed, considered and handled in accordance with the Conflicts of Interest policy. The organisation maintains a register of interests, and this is disclosed at every meeting of the Board, with updates being made as and when new or changed interests are advised.

Board review

The Board invites an external consultant to conduct a Board review from time to time. The purpose of the review is to identify issues relating to the skills, behaviour, relationships or practices that may be inhibiting the Board from being fully effective. The Board believes that constructive feedback from an external expert helps the Board address the nature of the services and environment within which Nonquestus operates.

Transparency with stakeholders

Nonquestus has many stakeholders, including those we care for and their families, those we provide with grant funds, our donors and benefactors, our staff and volunteers, the broader community, the government agencies that provide funds and regulate our operations, and our suppliers. Transparent disclosure is linked with accountability to all our stakeholders.

We prepare and make available a variety of reports, each aimed at providing the information necessary to improve accountability and transparency to all stakeholders. These include the annual report, the financial report and the strategic plan in addition to our monthly newsletters.

EXAMPLE 2: Ludus Inc. (Australia)

Background

Ludus Inc. is a suburban sporting club that fields one senior and five junior teams in a suburban amateur league. In addition to all the activities associated with the fielding of these teams, it is a participant in a programme that provides non-competitive recreational activities for teenagers and children within the suburb. This programme is funded by a $20,000 grant from the national sporting body. Other than this grant, its activities are funded by sponsorship from local businesses, membership subscriptions from players and others and a grant from the local council. Total annual turnover is $60,000.

Ludus Inc. is incorporated under the *Associations Incorporation Act*. Its members are its registered players, participants in the recreational programme and other involved members of the community. Total membership is 200. Ludus has no employees – it relies on volunteers to carry out all functions relating to its activities.

Ludus Incorporated

Governance statement

Ludus Inc. is incorporated under the Associations Incorporation Act and operates under the rules of association adopted by the members on 20 July 1998. Under these rules, Ludus' affairs are managed by the committee of management. This governance statement outlines how the committee discharges that responsibility.

The committee's primary role is to ensure Ludus achieves its objective of providing an enjoyable, safe and (where applicable) competitively successful recreational experience for both competitor and non-competitor participants. Ludus is reliant on its members' subscriptions, grants and sponsorship, and volunteers in providing this experience to its members.

The committee, which comprises the president, the vice-president, treasurer, secretary and two ordinary members, is elected each year at the annual general meeting. The roles and responsibilities of these key positions in the governance system are documented and understood. In fulfilling its primary role, the committee meets at least six times a year. At these meetings it considers:

- the treasurer's report, which details our income, expenditure and financial position membership matters
- competitive results and team matters
- the outcomes of the non-competitive recreational programme
- sponsorship and fundraising matters
- community relationships, including league matters and local government liaison
- risk management, including insurance matters
- conflicts of interest declaration
- progress towards strategic objectives and goals
- governance structures and policies.

The committee is assisted by the team and selection, finance, fundraising and audit and community committees. Each of these committees has a charter that defines their roles and responsibilities. These specific committees report to the committee of management on a regular basis.

The proceedings at each meeting are minuted and summarised in our quarterly newsletter. Minutes are available for inspection by members at any time.

The committee reports to members at the annual general meeting. At the annual general meeting, the annual report, which includes the audited financial report for the year just ended, is presented to members, together with the budget and plan for the forthcoming year. A summary of performance against budget and plan is provided in the quarterly newsletter.

EXAMPLE 3: Dulus Inc. (New Zealand)

Background

Dulus Inc. is a suburban sporting club that fields one senior and five junior teams in a suburban amateur league. In addition to all the activities associated with the fielding of these teams, it is a participant in a programme that provides non-competitive recreational activities for teenagers and children within the suburb. This programme is funded by a $200,000 grant from the national sporting body. Other than this grant, its activities are funded by sponsorship from local businesses, membership subscriptions from players and others and a grant from the local council. Total annual turnover is $160,000 and expenditure $300,000.

Dulus Inc. is incorporated under the *Incorporated Societies Act*. Its members are its registered players, participants in the recreational programme and other involved members of the community. Total membership is 500. Dulus has no employees – it relies on volunteers to carry out all functions relating to its activities.

Given its legal form and size, it is a Tier 3 charity.

Dulus Incorporated

Governance statement

Dulus Inc. is incorporated under the Incorporated Societies Act and operates under the rules of association adopted by the members on 20 July 1998. Under these rules, Dulus' affairs are managed by the committee of management. This governance statement outlines how the committee discharges that responsibility.

The committee's primary role is to ensure Ludus achieves its objective of providing an enjoyable, safe and (where applicable) competitively successful recreational experience for both competitor and non-competitor participants. Dulus is reliant on its members' subscriptions, grants and sponsorship, and volunteers in providing this experience to its members.

The committee, which comprises the president, the vice-president, treasurer, secretary and two ordinary members, is elected each year at the annual general meeting. The roles and responsibilities of these key positions in the governance system are documented and understood. In fulfilling its primary role, the committee meets at least six times a year. At these meetings it considers:

- the treasurer's report, which details our income, expenditure and financial position
- membership matters
- competitive results and team matters
- the outcomes of the non-competitive recreational programme
- sponsorship and fundraising matters
- community relationships, including league matters and local government liaison
- risk management, including insurance matters
- conflicts of interest declaration
- progress towards strategic objectives and goals
- governance structures and policies.

The committee is assisted by the team and selection, finance, fundraising and audit and community committees. Each of these committees has a charter that defines their roles and responsibilities. These specific committees report to the committee of management on a regular basis.

The proceedings at each meeting are minuted and summarised in our quarterly newsletter. Minutes are available for inspection by members at any time.

The committee reports to members at the annual general meeting. At the annual general meeting, the financial statements for the year just ended, is presented to members, together with the budget and plan for the forthcoming year. A summary of performance against budget and plan is provided in the quarterly newsletter.

Note: as a tier 3 charity, Dulus will also need to report its outcomes and outputs.

5. Sustainability and ESG reporting and collective impact

5.1 What is sustainability and ESG reporting?

The vernacular, terminology and even the meaning of sustainability has changed over time. It has evolved into a more systematic approach around measuring and accounting for non-financials and intangibles. It has been developed to understand the risks and cost associated with doing business. Until recently businesses have not accounted for the true cost/impact of business activities. Sustainability today demands business make the true cost of business available for all to ensure those costs are not getting passed on to others.

5.2 ESG Factors

The following table provides an overview of the various environmental, social and governance (ESG) factors.

Environmental factors	Social factors	Governance factors
Climate change	Customer satisfaction	Governing purpose
Land use and ecological sensitivity	Data protection and privacy	Quality of governing body
Air and water pollution	Diversity and inclusion	Stakeholder engagement
Biodiversity	Employee engagement	Ethical behaviour
Deforestation	Health and safety	Risk and opportunity oversight
Energy efficiency	Community engagement	Bribery and corruption
Water management	Human rights	Executive compensation
Fresh water availability	Wealth creation and employment	Lobbying

5.3. What is relevant?

ESG is a broad concept, and it is important to identify what is important, and to whom.

The first step in doing this is a materiality assessment.

5.3.1 Materiality assessment

The materiality assessment approach can be used to capture views of your internal and external stakeholders to help define 'what matters and by whom'. The outcome of the materiality assessment will be a key input to the future strategy and policy that you develop for your ESG journey.

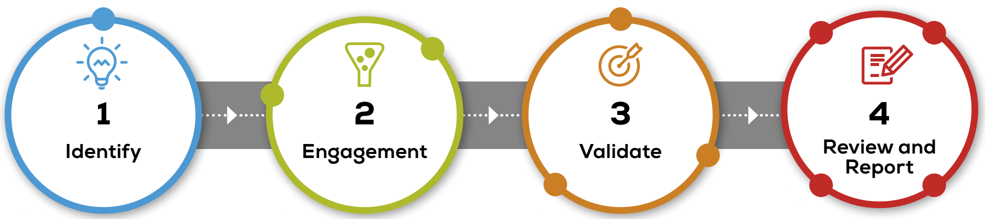
You could use the following 4-step materiality assessment that is aligned with the Global Reporting Initiative's (GRI) G4 guidelines.

Step 1:

Identify issues to be tabled at the consultation with the stakeholders through a co-design workshop. It is recommended that an equal number of internal and external stakeholders are represented for the consultation.

Steps 2-4:

- **Engage** the stakeholders to understand their views and obtain qualitative ranking of the issues tabled
- The summarised result can then be presented to your identified stakeholders for **validation** to ensure they accurately reflect the organisation.
- Stand back and **review** the information to consider, based on your knowledge of all the entity's activities, whether all material information has been included in the annual **report**.



5.4 What is your maturity on the relevant ESG matters?

Integrating sustainability into an organisation is a transformational journey that will be an ongoing process of monitoring, modification and rethinking 'how' you can most effectively embed sustainability across all facets of your organisation.

The following represents a 5-stage maturity assessment that helps de-mystify the sustainability integration journey and the maturity of the organisation's corresponding governance framework. See page 36 for a visual representation of the five-stage maturity assessment.

STAGE 1: ACTIVATE – An organisation at this stage is looking to start their sustainability agenda by assessing and prioritising their materiality risks and opportunities through the lens of various stakeholders. The process involves education, training and a review of the business operations and governance.

STAGE 2: COMPLIANT – An organisation at this stage has elements of a sustainability program in place, albeit on an ad-hoc basis as a result of being reactive and narrowly focusing on responding to regulatory and stakeholder requirements.

STAGE 3: PROACTIVE – An organisation at this stage has approached their sustainability program in a systematic, whole-of-business approach, looking to boost value creation opportunities internally as well as externally.

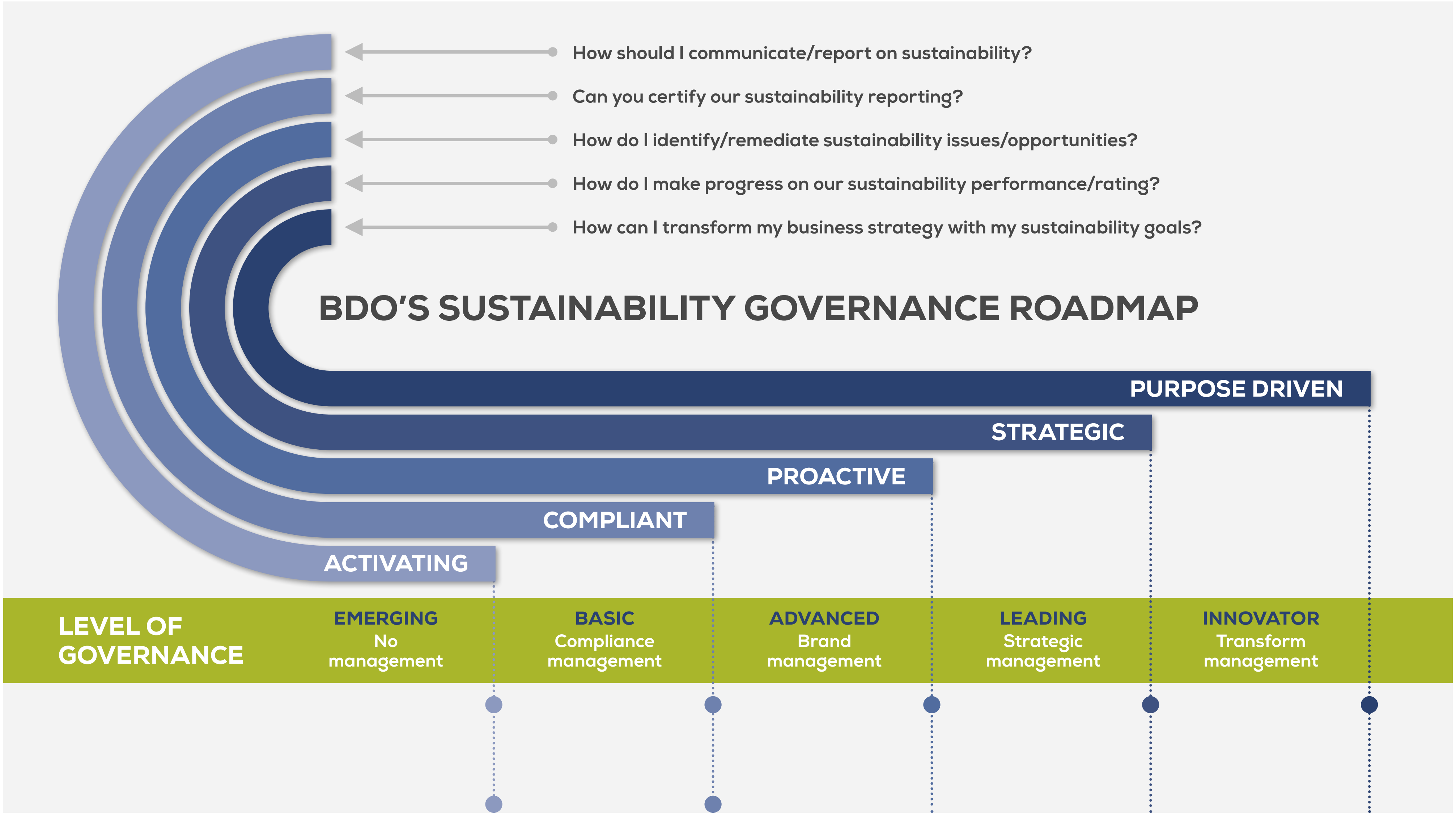
STAGE 4: STRATEGIC – An organisation at this stage has embedded sustainability across most parts of the entity and is developing products and services, with a focus on circularity and technology, and ensuring they have a positive impact in the sectors they operate in.

STAGE 5: PURPOSE DRIVEN – An organisation at this stage has embedded sustainability across all parts of their entity and is using social, economic and environmental criteria beyond what is required by law to positively impact those in their value chain.

As part of this five-stage maturity assessment, it is recommended that charities and NFPs:

- Seek to understand what level of governance you are aiming to achieve with your proposed framework
- Assess the current framework against that level of proposed maturity
- Identify any maturity gaps between what is proposed and the desired future state
- Review and consider appropriate alterations or additions in relation to:
  - **structure** – including organisational design and reporting
  - **responsibilities** – including board oversight, management accountability/authority and responsibilities of relevant committees and other delegates
  - **people** – including capability, performance and leadership development
  - **infrastructure** – including policies/procedures, reporting/communication and technology/systems.

As outlined earlier, sustainability is a journey which requires constant monitoring and assessment of governance frameworks even once those frameworks have been designed. It is recommended that charities and NFPs adopt an approach of continuous improvement, focusing on the measurement of impacts, corporate objectives and change management.


How should I communicate/report on sustainability?
Can you certify our sustainability reporting?
How do I identify/remediate sustainability issues/opportunities?
How do I make progress on our sustainability performance/rating?
How can I transform my business strategy with my sustainability goals?
BDO'S SUSTAINABILITY GOVERNANCE ROADMAP
PURPOSE DRIVEN
STRATEGIC
PROACTIVE
COMPLIANT
ACTIVATING
LEVEL OF GOVERNANCE
EMERGING
No management
BASIC
Compliance management
ADVANCED
Brand management
LEADING
Strategic management
INNOVATOR
Transform management

6. Best practice checklists

The checklist on the following pages is designed to assist your NFP to assess whether the non-financial information included in your annual report meets good reporting practices. This checklist reflects the recommendations in this publication and certain legislative requirements.

- For each question, consider whether the recommended disclosures are relevant to your organisation and whether your organisation's annual report (together with your other publicly available information) would be enhanced by including information recommended in the questions.
- You may find it helpful to indicate where the information is disclosed, such as the annual report, website or other publicly available information. This may aid with tracking and updating the disclosures.

Note

This checklist does not cover financial statement requirements.

6.1 Who are we and how are we governed?

This section of the checklist asks a series of questions to assess whether the annual report, or other publicly available information, explains the structure of the charity or NFP and how it is governed.

	Yes	No	N/A
1.1 Who are we? Do we include:			
a) The name of our organisation, including any trading names?	☐	☐	☐
b) Our Australian Company Number (ACN), Australian Business Number (ABN) or Charity registration number?	☐	☐	☐
c) Details of any other registrations necessary to carry out our activities (for example, registration with the ACNC or Charities Services, or registrations under fundraising legislation)?	☐	☐	☐
d) Explanation of the regulatory and legislative environment in which our organisation operates?	☐	☐	☐
e) The address(es) of our office(s)?	☐	☐	☐
f) An explanation of how we are constituted (for example, a company limited by guarantee, incorporated association, Royal Charter or Act of Parliament, incorporated society, charitable or other trust)?	☐	☐	☐
g) An explanation of our relationship with related international bodies, including the funding received from or provided to those bodies and the control we have over the expenditure of those funds?	☐	☐	☐
h) An explanation of the corporate structure of our organisation using a diagram or narrative?	☐	☐	☐

6.1 Who are we and how are we governed? *continued*

	Yes	No	N/A
i) An explanation of any strategic alliances to achieve our organisation's objectives (such as joint ventures, affiliations with other organisations or relationships with overseas/ parent organisations)? Do we provide information regarding these? Is the nature of these relationships clearly outlined?	☐	☐	☐
j) Our tax status, if we are a deductible gift recipient (Australia) or have tax-exempt status (New Zealand)	☐	☐	☐
1.2 Who are our board members? Do we include the following information regarding our board members:			
a) Their names?	☐	☐	☐
b) Their qualifications, skills and experience?	☐	☐	☐
c) The length of their involvement with our organisation?	☐	☐	☐
d) Their special responsibilities (for example, fundraising or audit committee)?	☐	☐	☐
1.3 Who manages us on a day-to-day basis? Do we disclose the following regarding our chief executive officer and other senior management team members?			
a) Their names?	☐	☐	☐
b) Their qualifications, skills and experience?	☐	☐	☐
c) Their length of service with the organisation?	☐	☐	☐
d) Remuneration arrangements, including any incentive arrangements?	☐	☐	☐
This should include the approval processes for determining remuneration. Consider providing more than the minimum disclosures regarding remuneration amounts.	☐	☐	☐

	Yes	No	N/A
e) KPIs and performance against these?	☐	☐	☐
f) The performance assessment process for key management personnel?	☐	☐	☐
g) Succession planning for key executives?	☐	☐	☐
1.4 Who else is involved in our organisation? Do we disclose the names and addresses of other relevant organisations or individuals such as our:			
a) Bankers?	☐	☐	☐
b) Solicitors?	☐	☐	☐
c) Auditors?	☐	☐	☐
d) Investment advisers?	☐	☐	☐
1.5 Do we explain how we are governed? Do we include the following, either in a governance statement or elsewhere in the report:			
a) The role of our board?	☐	☐	☐
b) The structure and processes of our board? *Consider processes for election and re-election of board members, limitations on the term of board membership and pathways to board membership.*	☐	☐	☐
c) How we educate our board members on induction as well as an ongoing basis?	☐	☐	☐
d) The composition of our board?	☐	☐	☐
e) Our board committees and their functions?	☐	☐	☐

6.1 Who are we and how are we governed? *continued*

	Yes	No	N/A
f) How we assess the performance of the board and how frequently this occurs?	☐	☐	☐
g) Our ethical standards?	☐	☐	☐
h) How we deal with conflicts of interest and an explanation of any codes of conduct the organisation subscribes to?	☐	☐	☐
i) How we ensure compliance with relevant legislation and regulation?	☐	☐	☐
j) Information detailing compensation arrangements, including remuneration (if any) for the governing body? *This should include the approval processes for determining remuneration (if applicable). Consider providing more than the minimum disclosures regarding remuneration amounts (if applicable).*	☐	☐	☐
1.6 If we are a membership organisation, do we explain how many members we have?			
Do we include information on our members, including membership year on year?	☐	☐	☐
1.7 Do we disclose we comply with the ACNC governance standards?			
Do we disclose we comply with the ACNC governance standards?	☐	☐	☐
If we conduct activities overseas, including sending funds overseas, do we disclose that we also comply with the External Conduct Standards?	☐	☐	☐

Tip

Examples of governance statements can be found in section 4.3.

6.2 Do we explain what we are trying to achieve?

This section of the checklist asks a series of questions to ensure the annual report, or other publicly available information, explains what the charity or NFP is trying to achieve (business strategy, mission and vision).

	Yes	No	N/A
2.1 Mission statement Do we:			
a) Disclose our mission statement (a succinct statement to explain and justify our core purpose and explaining why we exist including a statement indicating that we are a NFP)?	☐	☐	☐
b) Provide information such as statistics, trends or research data about the broader sector or environment in which our organisation operates?	☐	☐	☐
2.2 Objectives/purpose Do we:			
a) Include a summary of our objectives/purpose as listed in our constitution or governing document?	☐	☐	☐
b) Include a list of the specific objectives we set for the current reporting period?	☐	☐	☐
2.3 Strategy/priorities Do we:	☐	☐	☐
a) Clearly outline our vision and goals?	☐	☐	☐
b) Explain our approach to the development of our strategic plan/priority statements, including how we engage with stakeholders in developing it?	☐	☐	☐
c) Include clear, measurable, quantified strategic/priority targets and progress reporting against those targets? *Note that how this is done will depend on the individual organisation and its activities. Consider providing evidence and reporting of how the governing body is monitoring both quantitative and qualitative data on an ongoing basis to assess the organisation's performance.*	☐	☐	☐

6.2 Do we explain what we are trying to achieve? *continued*

	Yes	No	N/A
d) Provide a summary of our strategy/priorities and goals, both qualitative and quantitative, and does it track our current progress against these goals (by reference to targets, milestones and/or budgets)?	☐	☐	☐
e) Outline how the current year's strategy/priorities links into the longer-term strategy of our organisation?	☐	☐	☐
f) Disclose future strategic plans/priority statements or insight into revisions to existing plans to achieve targets (where appropriate), especially where progress has fallen short of any original plans?	☐	☐	☐
g) Make the strategic plan/priority statements or, at a minimum, the strategic/priority goals for the period available via a link to our website?	☐	☐	☐
2.4 Activities Do we:			
a) Explain the significant activities that we undertook to achieve our objectives? *What programmes did you run, what projects did you undertake, what services did you provide, what grants did you make?*	☐	☐	☐
b) Explain the outcomes we expected from our activities? *Does the annual report explain the impacts on or the consequences for the community resulting from the existence of your organisation?*	☐	☐	☐
c) Reflect on our performance during the period covered by the annual report? *For example, if you did not achieve expected outcomes, you could explain why this occurred, what action was taken to address the situation and the lessons learned and any revisions to your strategic plan?*	☐	☐	☐

	Yes	No	N/A
2.5 Future plans			
Do we explain our plans for the future? Do we explain our long-term aims, the objectives we have set for next year and the activities we have planned to achieve these objectives?	☐	☐	☐
2.6 Risk management Do we explain how we identify and manage the major risks we face in realising our strategy/priorities, meeting our objectives and achieving our plans for the future? Do we include:			
a) An acknowledgement of the board or governing body's responsibility for risk management? *For example, this could be acknowledged in the governance statement.*	☐	☐	☐
b) An outline of the processes used to identify, monitor and mitigate the risks it faces?	☐	☐	☐
c) Disclosure of the controls in place to mitigate risks?	☐	☐	☐
d) Details of the risks identified in the current year and how these were addressed? *Note that this disclosure covers all risks and not just those of a financial nature.*	☐	☐	☐

6.3 Our stakeholders

This section of the checklist asks a series of questions to assess whether the annual report, or other publicly available information, adequately identifies the entity's stakeholders and explains how the charity or NFP has responded to their expectations and interests.

	Yes	No	N/A
3.1 Who are our stakeholders? Do we identify our major stakeholder groups? Consider:			
a) Donors or sponsors	☐	☐	☐
b) Volunteers	☐	☐	☐
c) Employees	☐	☐	☐
d) The beneficiaries of our programmes	☐	☐	☐
e) Participants in our sport	☐	☐	☐
f) Affiliated sporting bodies	☐	☐	☐
g) The business community	☐	☐	☐
h) The broader community	☐	☐	☐
i) State and federal governments as funders	☐	☐	☐
j) State and federal governments as regulators	☐	☐	☐
k) Partners, including strategic partners	☐	☐	☐
l) Suppliers	☐	☐	☐
m) The media	☐	☐	☐

Consider whether the annual report or other publicly available information would be enhanced by the inclusion of a 'stakeholder map' to provide an overview of your stakeholder groups and the relationships and interactions between those groups.

	Yes	No	N/A
3.2 Stakeholder engagement (including the government, donors, the business community and general public) Do we explain our approach to stakeholder engagement? Consider:			
a) Donors and sponsors Do we explain:			
• How we contact our donors?	☐	☐	☐
• If we have any policies regarding acceptability of sponsors or major donors?	☐	☐	☐
• How many donors were contacted?	☐	☐	☐
• How frequently we contact our donors and the manner in which we communicate?	☐	☐	☐
• The number of enquiries we receive from potential donors and the mode of enquiry (telephone, email, website, blog)?	☐	☐	☐
• How we communicate with donors about the choice of projects and the results of expenditure on those projects?	☐	☐	☐
• How we deal with donor complaints?	☐	☐	☐
b) The beneficiaries of our programmes, including how we receive and deal with feedback on our programmes? *(For example, if the organisation is engaged in the provision of support for sufferers of a disease, do you explain how you liaise with sufferers or their carers regarding the manner in which that care is delivered?)*	☐	☐	☐
c) The broader community *(For example, if you survey your community or conduct focus groups to engage the community, have you included the results of the survey or outcomes of the focus group and how you have recognised those results or outcomes in your strategy? If you have a community advisory board or panel, do you explain the role of the group, its membership and its contribution to your strategy and activities?)*	☐	☐	☐

6.3 Our stakeholders *continued*

	Yes	No	N/A
d) The business community Do we explain:			
• Acknowledgement of corporate donors?	☐	☐	☐
• The nature and extent of projects involving the business community?	☐	☐	☐
• Mutual benefits achieved for both parties?	☐	☐	☐
• The KPIs or other conditions specified in government funding agreements and the extent to which they were met during the reporting period?	☐	☐	☐
e) State and federal governments as funders Do we explain:			
• Our processes for securing government funding?	☐	☐	☐
• The extent of our reliance on government funding especially where government funding is material to our organisation's continuity?	☐	☐	☐
• Our economic dependency on government funding by way of a note to the financial statements (if applicable)?	☐	☐	☐
• Our potential commitments arising from the receipt and use of government funds?	☐	☐	☐
f) State and federal governments as regulators Do we explain:			
• The regulatory environment in which we operate?	☐	☐	☐
• How compliance with legislation is monitored by management?	☐	☐	☐
• How we ensure the regulatory environment does not disadvantage us or the community we serve (for example, through advocacy and lobbying activities)?	☐	☐	☐

	Yes	No	N/A
g) Partners, including strategic partners Do we explain what strategic partnerships or alliances we have entered into?	☐	☐	☐
h) Suppliers			
Do we explain how we engage with our suppliers (for example, payment terms and any conditions we impose on our suppliers such as being ethical employers or environmentally conscious)?	☐	☐	☐
Has the organisation has considered the entity supply chains in respect of the Modern Slavery requirements ?	☐	☐	☐
i) The media			
Do we explain our interactions with the media and the impact of this? *For example, how many times have you been quoted in the press, appeared on television or used other forms of media (such as websites or blogs)?*	☐	☐	☐
3.3 Social media			
a) Do we inform our stakeholders how they can contact us through social media such as Facebook, Twitter or our blog(s)?	☐	☐	☐
b) Do we outline the degree to which social media has been used to engage with stakeholders and the impact of social media?	☐	☐	☐
3.4 Privacy and data security			
a) Do we inform our stakeholders how we protect their privacy and manage our data?	☐	☐	☐

6.4 Our employees

This section of the checklist asks a series of questions to assess whether the annual report, or other publicly available information, adequately explains how the charity or NFP has engaged with its employees and how it responds to their expectations and interests.

	Yes	No	N/A
4.1 Employment policies? Do we explain our employment policies? Consider:			
a) An explanation of our organisation's employment policies regarding equal employment opportunities and affirmative action	☐	☐	☐
b) Flexible work arrangements	☐	☐	☐
c) Benefits provided to employees	☐	☐	☐
d) Training provided and professional development supported	☐	☐	☐
e) Occupational health and safety (OH&S) policies	☐	☐	☐
4.2 Employee data Do we include the following data, including explanations of trends and how they are being addressed if applicable, relating to our employees? Consider:			
a) The number of employees and their deployment across the organisation	☐	☐	☐
b) Total number and rate of employee turnover by age group, gender and region	☐	☐	☐
c) Measures of employee engagement or satisfaction	☐	☐	☐
d) Information in respect of employee retention (such as retention rate or initiatives to improve)	☐	☐	☐
e) Rates of injury, occupational diseases, lost days and number of work-related fatalities	☐	☐	☐
f) Rates of unplanned absenteeism	☐	☐	☐
g) Average hours of training per year per employee, by employee category	☐	☐	☐
h) Our organisation's OH&S performance	☐	☐	☐
4.3 Recognising our employees Do we disclose how we recognise our employees and their achievements? Consider:			
a) Length of service	☐	☐	☐
b) A description of our organisation's approach to the professional development of our employees (such as training or professional development)	☐	☐	☐
c) Disclosing information about how our organisation assesses employee satisfaction	☐	☐	☐
d) Providing a description of how our organisation recognises employees' contribution and achievements (for example, through public recognition or provision of awards)	☐	☐	☐

6.5 Our volunteers

This section of the checklist asks a series of questions to assess whether the annual report, or other publicly available information, adequately explains how the charity or NFP has engaged with its volunteers and how it responds to their expectations and interests.

	Yes	No	N/A
5.1 Volunteer policies Do we explain our policies regarding the involvement of volunteers? Consider:			
a) Screening policies and processes	☐	☐	☐
b) Volunteer activities	☐	☐	☐
c) Volunteer induction processes and ongoing training	☐	☐	☐
d) National standards regarding the use of volunteers	☐	☐	☐
e) OH&S policy for volunteers	☐	☐	☐
5.2 Volunteer data Do we include the following data, including explanations of trends, relating to our volunteers? Consider:			
a) The number of volunteers and their deployment across the organisation	☐	☐	☐
b) A measure of volunteer contribution, expressed in hours, staff equivalents or by assigning a dollar value to their contribution	☐	☐	☐
c) Measures of volunteer engagement or satisfaction and the outcome of any surveys of volunteers to determine their level of satisfaction with the organisation	☐	☐	☐

	Yes	No	N/A
5.3 Recognising our volunteers Should we disclose how we recognise our volunteers' achievements? Consider			
a) Length of service	☐	☐	☐
b) Outstanding client service or engagement with stakeholders	☐	☐	☐
c) Publications, including contributions to peer-reviewed publications	☐	☐	☐
d) External awards received	☐	☐	☐

6.6 Reporting performance and achievements

This section of the checklist builds on the overall picture covered in checklist questions 2.4 outlined in section 6.2 to ask a series of questions to assess whether the annual report, or other publicly available information, explains the results of the charity's or NFP's performance and its achievements during the year covered by the report.

	Yes	No	N/A
6.1 How have we met our objectives? Do we explain our actual performance against the objectives detailed in last year's report? Have we outlined:			
a) The output indicators we use to measure our performance and disclose actual and planned performance and explained any significant variances? *Output indicators are measures of the goods or services produced or provided by the organisation. Section 3.3 provides some examples. Each organisation needs to define its own output measures.*	☐	☐	☐
b) The outcome indicators we use to measure our performance and disclose actual and planned performance and explained any significant variances? *Outcomes are the impacts on or the consequences for the community resulting from the organisation's activities. Section 3.3 provides some examples. Each organisation needs to define its own output measures. The following question will assist you in this task: "How will the participant's or community's knowledge, attitude, value, skill, behaviour, condition or status change as a result of our activity?"*	☐	☐	☐
c) Examples of case studies and testimonials to illustrate our outcomes and impact?	☐	☐	☐
d) Graphs, tables and photographs where necessary to summarise and highlight our performance and achievements?	☐	☐	☐
e) Matters we are able to control and those that are outside our control? *Consider a commentary on relationships with employees, users or beneficiaries of services, significant funders or occupational health and safety and training. Other commentary might include factors affecting fundraising and government policy that affects or may in future affect the organisation's operations.*	☐	☐	☐
f) The challenges faced and how they were identified and addressed, any lessons from them and the future outlook?	☐	☐	☐
6.2 Have we explained our source of fundraising, our reliance on fundraising and the results of our fundraising? Do we include and explain:			
a) Our revenue model and our approach to fundraising, including how this is evolving to observed changes in donations and fundraising?	☐	☐	☐
b) The extent to which we are reliant on specific sources of fundraising to meet our objectives (for example, ongoing philanthropic grants, corporate or public donations, sponsorships)?	☐	☐	☐
c) Actual fundraising against fundraising targets (with supporting commentary)? *Consider separate disclosure of fundraising through public appeals, regular giving programmes, legacies and bequests, philanthropic grants*	☐	☐	☐
d) Explanation of our policy for managing and protecting funds raised that are surplus to our needs?	☐	☐	☐
e) The costs of our fundraising efforts, including a clear definition of what is included in fundraising costs?	☐	☐	☐
f) The costs of our fundraising efforts as a percentage of funds raised?	☐	☐	☐

6.6 Reporting performance and achievements *continued*

	Yes	No	N/A
g) A commentary on our investment in fundraising? *Where the NFP has incurred significant expenditure relating to future fundraising, comment should be included. Commentary should include an explanation of the impact on the current year's return from fundraising and future years' fundraising income. Commentary should also include a self-assessment on performance.*	☐	☐	☐
h) Our treatment of and accounting for in-kind donations, such as time, goods and professional services?	☐	☐	☐
i) Information about the policies for public fundraising, application of funds raised (how each dollar of funding is spent) and how this compared to target/budget?	☐	☐	☐
k) Have we identified the jurisdictions in which the entity conducts its primary fundraising, and are the relevant regulatory approvals current?	☐	☐	☐
6.3 Do we show how efficiently we have used our resources and investments?			
6.3.1 Do we include and explain the following information regarding the use of our funds?			
a) The ratio of funds spent on our primary purpose(s) to total expenditure?	☐	☐	☐
b) The ratio of funds spent on our primary purpose(s) as to total funds received during the year?	☐	☐	☐
c) Investments			
– Do we provide a description of our organisation's investment policy and how this aligns to the strategic/ priorities plan/statement?	☐	☐	☐
– Do we disclose insight into the management of investments within our organisation and the involvement of any third parties such as investment advisers or managers (if applicable)?	☐	☐	☐

	Yes	No	N/A
– Do we provide information about our organisation's investments that includes the performance of the investments against short-term or long-term targets (3–5 years) and the investment performance objectives?	☐	☐	☐
6.3.2 Do we disclose and explain the following information regarding the services we provide?			
a) The outputs we have delivered?	☐	☐	☐
b) The outputs delivered per employee or volunteer?	☐	☐	☐
c) The cost per unit of output?	☐	☐	☐
6.3.3 Do we disclose and explain the following information regarding our commercial activity?			
a) Gross profit margin?	☐	☐	☐
b) The commercial activity's cash contribution to our core activity?	☐	☐	☐
c) The cash contribution per person employed in the commercial activity?	☐	☐	☐
d) The hours of employment provided by the commercial activity to those served by our core activities?	☐	☐	☐
e) Insight regarding the commercial activity's contribution to the organisation's core activity in terms of materiality compared to the overall organisation?	☐	☐	☐
6.4 Do we explain our financial performance and position?			
6.4.1 Do we include a financial discussion and analysis?			
a) Trends in revenue?	☐	☐	☐
b) Revenue shortfalls in the current period compared with the prior period or budget/target? *This includes the reasons for the shortfall and what your organisation is doing to address such a shortfall in the future.*	☐	☐	☐

6.6 Reporting performance and achievements *continued*

	Yes	No	N/A
c) Key events (both positive and negative) and the effects of significant economic or other events (such as natural disasters) on our operations?			
d) The revaluation or impairment of assets, the reason for the revaluation/impairment and the financial impact?			
e) The impact of any other one-off events in the year?			
f) The main influences on costs of our operations?			
g) Appropriate measures of our financial performance?			
h) Changes (from the prior year) in the composition of our assets?			
i) Significant movements (from the prior year) in our assets, liabilities and reserves?			
j) Changes in our cash flow (from the prior year)?			
k) The financing of our capital expenditure programmes?			
l) The purpose of our reserves and any restrictions on the use of our assets?			
m) Any deficiency in the organisation's current position (excess of current liabilities over current assets)?			
n) The future outlook for our organisation (for example, funding levels, future events, anticipated changes to operations)?			
6.4.2 Have we considered reporting about our long-term performance? Have we:			
a) Provided insight into and analysis of both our longer-term financial and non- financial performance (such as number of clients assisted or programmes run) for a minimum 3–5 year period?			

	Yes	No	N/A
b) Provided linkage between the long-term goals and the short-term achievements made against these goals?			
c) Provided data of performance against prior periods or budgets (with supporting narrative) so stakeholders can gain a greater understanding and context of the overall performance in the year?			
d) Outlined the sustainability of current levels of funding and the extent to which our organisation relies on certain revenue streams?			
6.5 Environmental and sustainability policies Does our organisation outline its performance in the wider context of sustainability by disclosing how it contributes or aims to contribute in the future to the improvement of economic, environmental and social conditions and developments at local, regional and global level? Consider:			
a) Explaining initiatives to mitigate the environmental impacts of our programmes or fundraising projects			
b) Explaining initiatives to reduce usage of resources such as paper and energy and any recycling initiatives			
c) Providing commentary and quantitative data on our approach to ensure all activities are sustainable and our performance against any targets set			
d) Approach to combatting modern slavery, and whether we are required to lodge a modern slavery statement			
6.6 Distributing our annual report			
Have we considered making our annual report available on our website rather than distributing hard copies?			

7. Optional reporting frameworks

Some NFPs and charities, particularly larger ones, are adopting reporting frameworks designed to enhance their reporting beyond the recommendations included earlier in this guide. Information on three of the more commonly adopted frameworks is included here, as a starting point for NFPs and charities wishing to take their reporting journey further.

Optional reporting frameworks:

- International Integrated Reporting (IR) Framework: communicates how an organisation's strategy, governance, performance and prospects lead to creation of value in the short, medium and long term
- Global Reporting Initiative (GRI) standards: global standards for sustainability reporting
- United Nation's Sustainable Development Goals (SDGs): a collection of 17 interlinked global goals and 169 targets

Learn more

An introduction to sustainability-related reporting for finance professionals

https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/navigating-the-reporting-landscape

7.1 Integrated Reporting (IR)

Organisations are using IR to communicate a clear, concise integrated story that explains how all of their resources are creating value. By focusing on conciseness, strategic relevance and future orientation, reports applying the IR Framework enable a better understanding of the factors that materially affect an organisation's ability to create, preserve or erode value over time. Launched by the International Integrated Reporting Council (IIRC) in July 2010, with a final framework issued in December 2013, and updated in 2021, IR is gaining momentum globally and in Australia and New Zealand.

7.1.1 What is IR?

An integrated report, prepared in accordance with the international IR Framework, is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to creation, preservation or erosion of value in the short, medium and long term. IR is more than just stapling the financial report and sustainability report together – it is about integrated thinking. Experience to date shows that IR is a journey of organisational cultural change and it takes time. Innovation is also at the core of IR, including the use of technology.

Although the IR framework has been developed primarily for the corporate sector, principally aimed at providers of financial capital allocation decisions, the principles can apply equally to the charity and NFP sector as donors and government are also making important decisions regarding allocation of funds. The IR Framework now represents best-practice guidance in this area, and a number of charities and NFPs are already embracing IR, or some of its broader reporting concepts, as part of their reporting to stakeholders.

7.1.2 What are the objectives of IR?

IR aims to:

- improve the quality of information available to providers of finance capital to enable a more efficient and productive allocation of capital
- promote a more cohesive and efficient approach to reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time
- enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies
- support integrated thinking, decision making and actions that focus on the creation of value over the short, medium and long term.

7.1.3 Who is the IIRC?

The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting professions and non-government organisations. Together, this coalition shares the view that communication about businesses' value creation, preservation or erosion should be the next step in the evolution of reporting.

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable developments through the cycle of integrated reporting and thinking.

In June 2021, the IIRC and the Sustainability Accounting Standards Board (SASB) merged to form the Value Reporting Foundation (VRF).

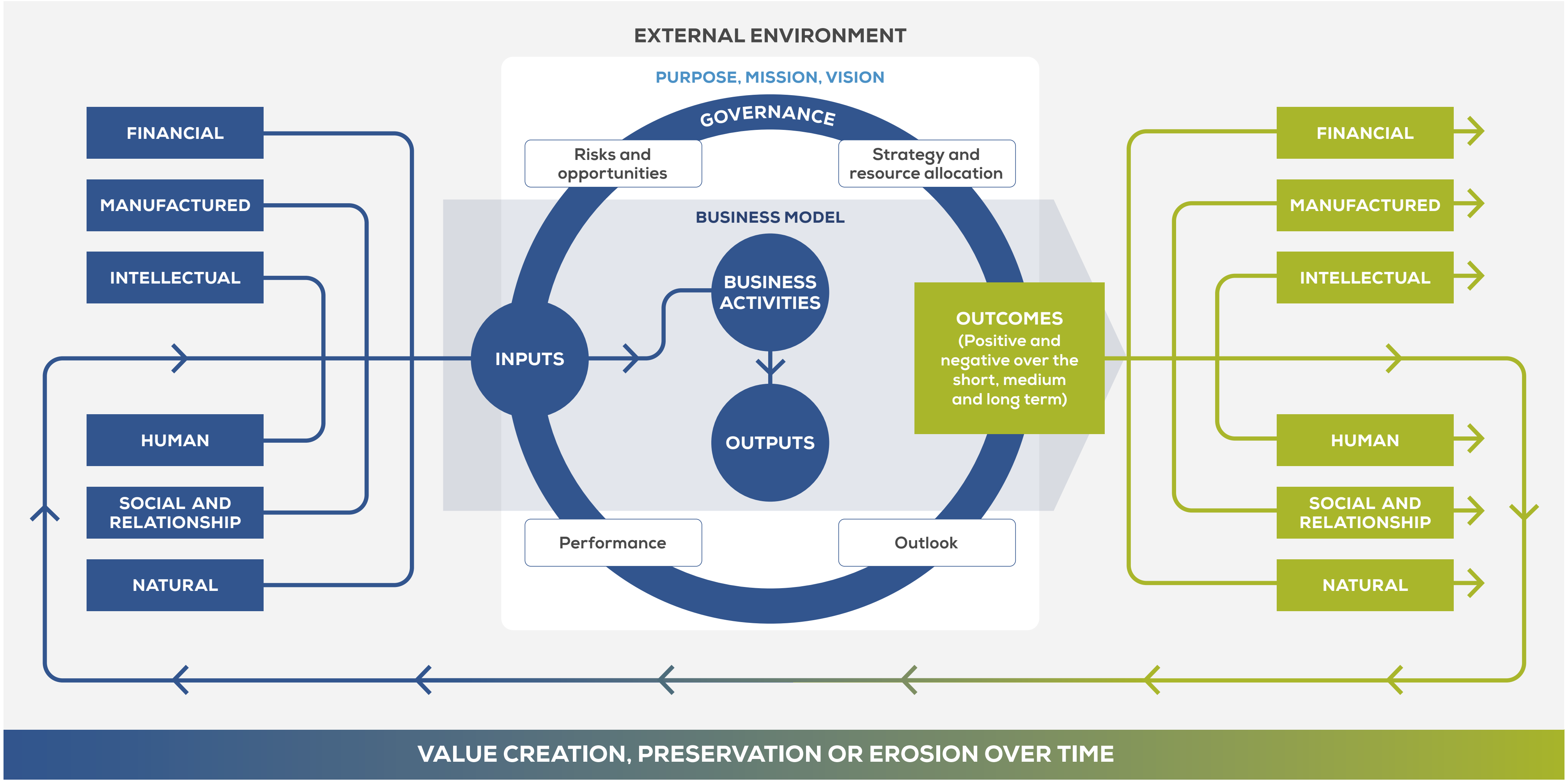
In November 2021, the International Accounting Standards Board (IASB) announced the formation of the International Sustainability Standards Board (ISSB) and the consolidation of the VRF and the Climate Disclosure Standards Board (CDSB) into the new ISSB.

7.1.4 The IR Framework

The IR Framework covers four areas:

Fundamental principles	A. Introduction B. Value creation for the organisation and for others C. The capitals (financial, manufactured, human, intellectual, social and relationship, and natural) D. Process through which value is created, preserved or eroded
Guiding principles	A. Strategic focus and future orientation B. Connectivity of information C. Stakeholder relationships D. Materiality E. Conciseness F. Reliability and completeness G. Consistency and comparability
Content elements	A. Organisational overview and external environment B. Governance C. Business model D. Risks and opportunities E. Strategy and resource allocation F. Performance G. Outlook H. Basis of preparation and presentation I. General reporting guidance

The diagram[1] below depicts the value creation process.



Learn more

http://integratedreporting.org/

1. Extracted from https://www.integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf

7.2 Global Reporting Initiative (GRI) standards

7.2.1 What is the GRI?

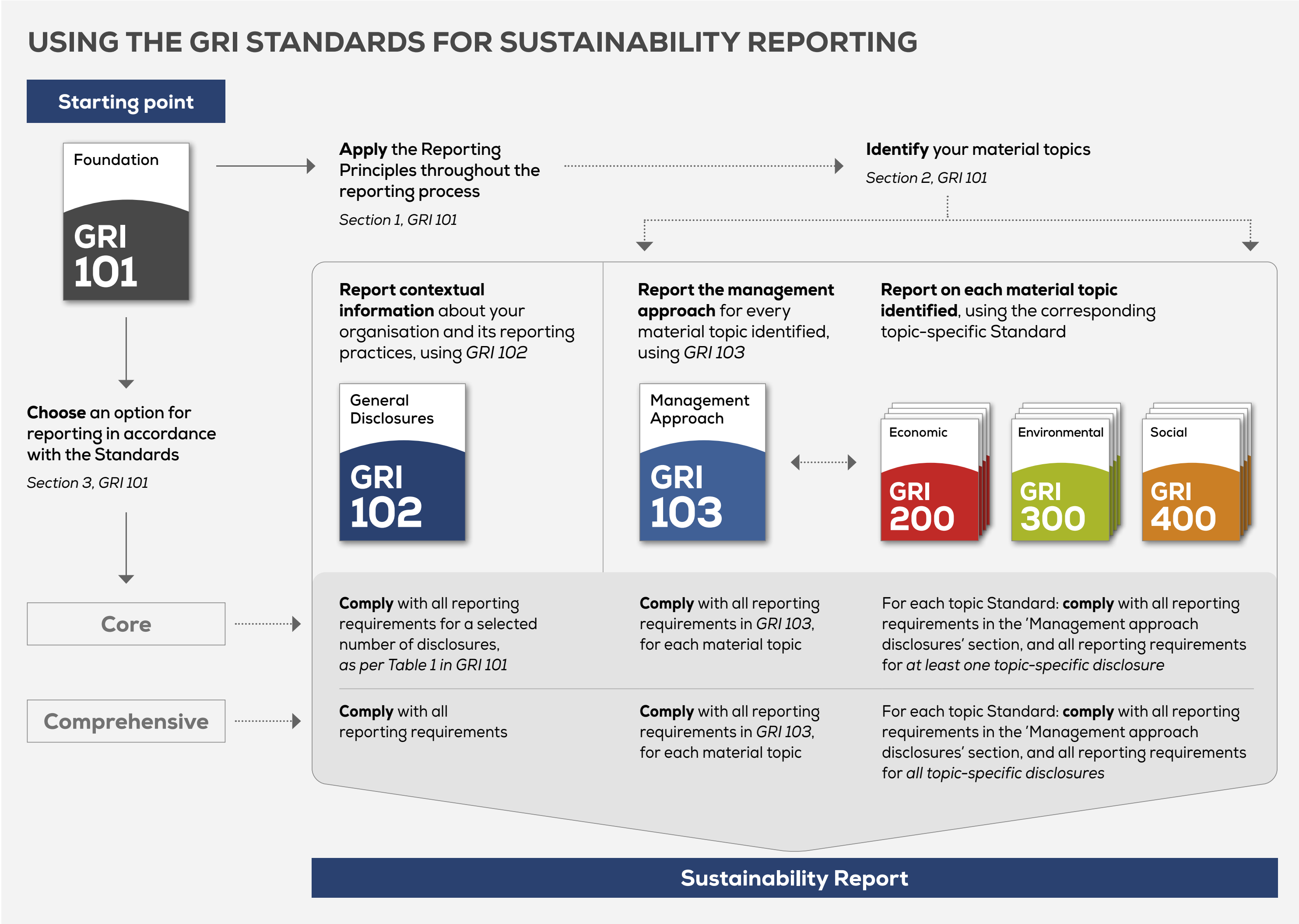
The GRI is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate the impact of businesses on critical sustainability issues such as climate change, human rights, corruption and many others.

7.2.2 What are the GRI standards?

The GRI's Sustainability Reporting Standards are the first global standards for sustainability reporting and have been developed based on the previous G4 GRI Guidelines. These have been restructured into a set of modular, interrelated standards.

Flexibility is permitted in using the GRI Standards, as organisations can use selected Standards, or parts of their content, to report specific information, without preparing a report in accordance with the Standards.

The structure of the GRI Standards is illustrated in the diagram to the right[2]:



2. Extracted from https://www.globalreporting.org/standards/the-reporting-process/

7.2.3 Non-government organisations sector supplement

The previous G4 Sustainability Guidelines included a Non-Governmental Organisations (NGO) Sector Supplement. As at September 2021 this was yet to be updated as part of the transition to the GRI Standards. This means NGOs are able to continue to use the G4 NGO Sector Disclosures, although it is not a requirement for preparing a report in accordance with the Standards.

The NGO Sector Disclosures document contains a set of disclosures for use by all organisations in the NGO sector. The disclosures cover key aspects of sustainability performance that are meaningful and relevant to the NGO sector and which are not sufficiently covered in the G4 Guidelines.

The term 'non-governmental' is used to describe a wide variety of organisations, which may also be referred to as private voluntary organisations, civil society organisations, charities and not-for-profit organisations.

Aspects dealing with evaluating program effectiveness have been included in the NGO supplement because of their particular relevance to the sector and also as they are a core element of being accountable. These are:

- affected stakeholder engagement
- feedback, complaints and action
- monitoring, evaluation and learning
- gender diversity
- public awareness and advocacy
- coordination.

Learn more

www.globalreporting.org

https://www.globalreporting.org/how-to-use-the-gri-standards/questions-and-answers/

7.3 Sustainable Development Goals

Launched in 2016 and agreed to by all 193 member states in the United Nations (UN), the Sustainable Development Goals (SDGs) are a set of 17 goals and 169 targets created to end poverty, fight inequality and tackle climate change by 2030.

Corporate reporting is regarded as key to providing the transparency needed to assess progress against the SDGs in a meaningful way, and charities and NFPs have a role to play in this too.

Learn more

https://www.globalgoals.org/

7.4 International Sustainability Standards Board

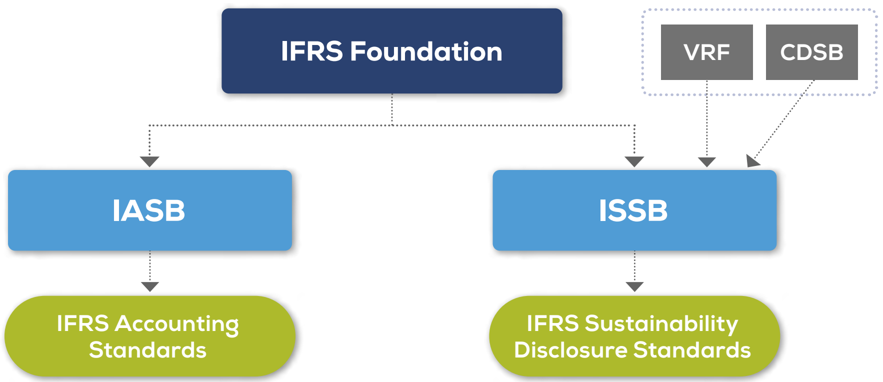
On 3 November 2021, the IFRS Foundation Trustees announced three significant developments at the COP26 UN global summit in Glasgow, Scotland:

1. The formation of a new International Sustainability Standards Board (ISSB), which will develop a comprehensive global baseline of high-quality sustainability disclosure standards with an aim to meet investors' information needs
2. A consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF – which houses the current Integrated Reporting Framework and SASB standards) into the ISSB by June 2022, and
3. The publication of two prototype standards: one on climate and the other on general disclosure requirements. These prototype standards were developed by the Technical Readiness Working Group (TRWG) prior to the formation of the ISSB.

7.4.1 How will the ISSB interact with the International Accounting Standards Board (IASB)?

The ISSB will sit alongside the IASB under the oversight of the Trustees of the IFRS Foundation and the Monitoring Board. The IFRS Foundation Constitution has been amended to reflect this. The boards will seek to ensure connectivity and compatibility between IFRS Accounting Standards issued by the IASB and IFRS Sustainability Disclosure Standards issued by the ISSB.

Creation of ISSB and COP26 Update – Structure



7.4.2 Why was the ISSB formed?

There is a proven demand for information relating to environmental, social and governance (ESG) issues as these factors affect enterprise value. However, despite this demand, no consistent, globally accepted framework for disclosing this information has emerged. Many of these frameworks are voluntary, which has increased fragmentation in reporting. This has led to calls for the IFRS Foundation to form a global standard setter to increase the consistency in the reporting of this type of information, as has been accomplished by the IASB in terms of financial reporting. The creation of the ISSB follows extensive public consultation and is with the support of various regulatory bodies, including the International Organisation of Securities Commissions (IOSCO).

7.4.3 What are the objectives of the ISSB?

The ISSB will issue IFRS Sustainability Disclosure Standards, which will set out disclosure requirements that address entities' impacts on sustainability matters that affect enterprise value and how investors make decisions. While the IASB issues standards that assist investors in making decisions related to financial information (e.g. profit, liquidity, etc.), IFRS Sustainability Disclosure Standards will provide investors with information on a broader set of metrics, such as the effect an entity has on climate, fresh water supplies, soil erosion, equitable treatment of employees, gender pay disparity, etc.

7.4.4 How will the ISSB take account of what has been issued already by other standard setters?

While the ISSB seeks to issue a set of globally accepted standards for sustainability disclosures, the board is also seeking to build upon what has already been done. In order to accomplish this, the ISSB will consolidate and merge with two existing organisations:

- The Climate Disclosure Standards Board (CDSB), and
- The Value Reporting Foundation (VRF – which houses the Integrated Reporting Framework and SASB standards).

The technical standards and frameworks established by these organisations, along with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the World Economic Forum Stakeholder Capitalism Metrics form the basis for the work to be carried out by the new Board.

7.4.5 What are the prototype standards and what is the ISSB expected to do with them?

The prototype standards released by the ISSB were prepared by the Technical Readiness Working Group (TRWG) to enable the ISSB to have a 'running start' in drafting the most pressing disclosure requirements, which are:

1. General requirements for disclosure of sustainability-related financial information, and Climate-related disclosure.

The prototype standards provide recommendations to the ISSB for consideration in issuing eventual final standards. The prototype standards can be accessed here. While the recommendations build on the established work of the organisations represented on the TRWG, the prototype standards have not been subject to the due process of those organisations or of the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals that are informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

You can read more about the above in BDO's International Sustainability Reporting Bulletin.

8. Australian and New Zealand Councils for International Development: Codes of Conduct

8.1 Australian Council for International Development (ACFID) Code of Conduct

The Australian Council for International Development (ACFID) is the peak body for the not-for-profit aid and development sector in Australia. ACFID's purpose is to lead and unite its members in action for a just, equitable and sustainable world. ACFID's work is focused on driving positive change towards sustainable and inclusive development; peace and human security; and strong and effective civil society.

A key purpose of ACFID is to equip and encourage members to observe the highest ethical standards in all their activities, including strict observance of the ACFID Code of Conduct and to work towards improving practice over time. The ACFID Code aims improve development outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of its members.

It defines standards of program effectiveness, fundraising, governance, financial control and reporting.

Organisations that are signatories to the ACFID Code aim to build creative and trusting relationships with people of developing countries and to meet programme standards that:

- give priority to the needs and interests of the people they serve
- encourage self-help and self-reliance among beneficiaries and thus avoid creating dependency
- involve beneficiary groups to the maximum extent possible in the design, implementation and evaluation of projects and programmes
- respect and foster internationally recognised human rights, both socio-economic and civil-political
- seek to enhance gender equity
- are based on an understanding of the history and culture of the people served.

The Code of Conduct places significant emphasis on financial management and reporting. The need for irreproachable management and application of donated funds and transparent, easily comparable financial reporting are central to the credibility of aid and development organisations. The ACFID Code requires a signatory organisation to publish, in their Annual Report, ACFID-Code compliant financial statements. These financial statements must be prepared in accordance with the Code of Conduct Summary Financial Report Format found in the Good Practice Toolkit of the ACFID Code of Conduct.

ACFID Code Summary Financial Reports and Full Financial Reports must be audited by at least a qualified accountant who is a member of CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants or by a registered company auditor. The Auditor's Report must accompany the financial report in the Annual Report.

Learn more

More information about the ACFID Code and its specific requirements can be found at the following links:

https://acfid.asn.au/code-of-conduct

https://acfid.asn.au/content/commitment-83-we-report-acquisition-and-use-our-resources

8.2 Council for International Development (CID) in New Zealand Code of Conduct

The Council for International Development (CID) in New Zealand is the national umbrella agency for New Zealand non-government organisations active in international development. Its members have the vision for New Zealand as a leader working towards a sustainable world free from poverty and injustice with a mission of being the guardians of professional standards, by promoting learning, innovation, the principles of good development, and shared practice.

The membership of CID adopted a Code of Conduct in October 2014, with the latest version dated December 2017 and a review undertaken in 2019. The structure, principles, obligations and processes detailed in this Code are predominantly based on the ACFID Code of Conduct.

The Code is a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. It serves both as a guide to good practice and as a risk management document. Similar to the ACFID, the Code of Conduct places significant emphasis on financial management and reporting.

A guiding principle is that signatory organisations will use their annual report as a key part of their accountability to all stakeholders.

1. A written annual report will be produced and be made available to the signatory organisation's stakeholders.

2. The annual report will provide stakeholders with:
   a) A description of the signatory organisation's purpose, objectives/aims and values;
   b) a plain language summary of the signatory organisation's income and expenditure and overall financial health;
   c) a description of the most significant aid and development activities undertaken during the reporting period and their impact; and
   d) information about evaluations into the effectiveness of and the learning from aid and development activities conducted by the organisation.

3. The annual report will also specifically include:
   a) A report by the management and/or the governing body;
   b) financial statements prepared in accordance with the requirements of relevant New Zealand legislation;
   c) a statement of commitment to adherence to the Code;
   d) identification of the ability to lodge a complaint against the organisation and a point of contact; and
   e) identification of the ability to lodge a complaint for breach of the Code with the Code Committee and a point of contact.

Signatory organisations are required to comply with the requirements of the *Charities Act 2005* regarding auditing and review of financial statements.

Learn more

More information about the CID Code and its specific requirements can be found at https://www.cid.org.nz/code-of-conduct/about/

9. Enhancing assurance

Audit, assurance and related services enhance the credibility of the information contained within the organisation's report so the users of those reports can make assessments and decisions with confidence.

Many NFPs and charities are required to have their report audited or reviewed. Due to the value of assurance, others request an audit or review of their report on a voluntary basis. The key considerations in undertaking this decision are:

- Is the organisation required by legislation, regulation or contract terms to have their report audited or reviewed?
- Does the constitution or trust deed specify there must be an audit or review?
- Will any other users of the report (e.g. funders or a bank) require the report to be audited or reviewed?
- Is there benefit in an audit or review being conducted?

What is an audit, assurance or related service?

- Audit: provides a report giving an opinion on the auditor's assessment of whether your account of your operations comply with the required rules or standards
- Review: assesses what you have done to prepare your account of your operations, and provides a report on whether anything came to the reviewer's attention suggesting that you did not follow the required rules or standards.
- Other assurance engagements or related services:
  - Compliance: assesses whether your business has adhered to specific requirements such as compliance with health and safety procedures or compliance with the terms of a grant.
  - Agreed-upon procedures: you would discuss, and agree in writing, your specific information requirements up-front with an accountant who would then perform the set of procedures that will provide this information for you. Unlike an audit, review or compliance engagement, performing these procedures will not result in the accountant expressing an opinion or conclusion.

Learn more

CA ANZ provides a range of tools and resources to assist NFPs and charities and their auditors/accountants to provide the most effective professional service engagement appropriate to their needs.

CA ANZ Maximising the value of audit: a guide that aims to help charities and NFPs get the most out of their audit.

Available at: https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/maximising-the-value-of-audit-for-not-for-profits

CA ANZ Audit, Assurance and Related Services Guidance: a publication designed to explain, in simple language, what the various professional service offerings mean for a small organisation. It also assists organisations to determine if they need an audit, review, or other type of engagement.

Available at https://www.charteredaccountantsanz.com/member-services/technical/audit-and-assurance/audit-quality

CA ANZ Audit and Review Requirements for Australian Entities: a guide providing a high-level summary of the legislative requirements to prepare financial reports, have an audit or review of those financial reports performed and the qualifications of auditors and reviewers for common types of Australian entities.

Available at https://www.charteredaccountantsanz.com/member-services/technical/audit-and-assurance/auditor-regulation

CA ANZ Guidance on Statutory Assurance Engagements in New Zealand: a guide providing a high-level summary of the legislative requirements to prepare financial statements or other report, have an audit or review of those financial statements or report performed and the qualifications of auditors and reviewers for common types of New Zealand entities.

Available at https://www.charteredaccountantsanz.com/member-services/technical/audit-and-assurance/auditor-regulation

Learn more

Other resources:

1. The ACNC website contains guidance for Australian charities on when an audit or review is required, and a table to help organisations decide whether to have a charity's financial report reviewed or audited. It also provides a template, designed for use by auditors and developed with the assistance of the Australian Auditing and Assurance Standards Board (AUASB) Technical Group. This template contains nine examples of Auditors' Reports relating to ACNC financial reporting requirements.

   Available at: https://www.acnc.gov.au/reviewaudit and https://www.acnc.gov.au/tools/templates/audit-and-review-report-templates

3. The AUASB has issued guidance note GS 019 specifically dealing with auditing fundraising revenue of NFP entities.

   Available at: https://www.auasb.gov.au/standards-guidance/guidance-statements/

4. Charities Services provides guidance on its website for charities in New Zealand outlining the difference between an audit and review, and when they are required.

   Available at: https://charities.govt.nz/im-a-registered-charity/annual-returns/new-statutory-audit-and-review-requirements/

5 The External Reporting Board (XRB) has also published a booklet on small charities' assurance needs.

   Available at: https://charities.govt.nz/assets/Uploads/Small-Charities-Assurance-Needs-199307.pdf

10. Legislative frameworks

NFPs are subject to a myriad of legislation. NFPs must understand and apply all the legislation that affects a business, including taxation, occupational health and safety, environmental and so on. In addition to this, NFPs will have additional reporting obligations driven by the type of entity (the legal form) adopted as the business structure of the NFP in conjunction with their charitable status. In this section of the guidance, we provide an overview of the legislated financial reporting provisions applicable to much of the NFP sector. The charitable status, legal form and the activities an NFP undertakes determine the legislation under which a NFP reports.

10.1 Australia

NFPs that are **registered charities** will need to have regard to the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), as well as the legislation under which it is formed. For companies limited by guarantee and some incorporated associations, the reporting requirements are prescribed by the ACNC Act. For others, the requirements are contained in the respective state or territory legislation (for example, co-operatives under the Co-operatives National Law).

For NFPs that are **not registered charities**, reporting is generally determined by the legal form of the entity, i.e. reporting by companies limited by guarantee is governed by the *Corporations Act 2001*, incorporated associations by the Associations Incorporation Act in their state of incorporation, and cooperatives by the Co-operatives National Law, while others that are constituted under Royal Charters or Acts of Parliament must comply with the reporting requirements of their constituting document.

The ACNC maintains up to date information on the interaction of the various legislations at www.acnc.gov.au.

In the following tables, we provide an overview of the record-keeping, financial reporting and auditing provisions of the *Corporations Act 2001*, the ACNC Act, the relevant state and territory incorporated associations legislation, and the Co-operatives National Law:

Type of entity	Table reference
Company limited by guarantee (not a registered charity under the ACNC Act)	Table 1
Registered charity under the ACNC Act	Table 2
Incorporated associations – Australian Capital Territory (ACT)	Table 3
Incorporated associations – New South Wales (NSW)	Table 4
Incorporated associations – Northern Territory (NT)	Table 5
Incorporated associations – Queensland (QLD)	Table 6
Incorporated associations – South Australia (SA)	Table 7
Incorporated associations – Tasmania (TAS)	Table 8
Incorporated associations – Victoria (VIC)	Table 9
Incorporated associations – Western Australia (WA)	Table 10
Co-operatives National Law	Table 11

This section was based on current information as at time of writing.

10.1.1 **Table 1:** The Corporations Act

The record-keeping, reporting and auditing requirements of the *Corporations Act 2001* are summarised in the table below. These are applicable for all companies limited by guarantee that are **not registered charities** under the ACNC Act.

Section	Summary	Detail
286–289	Record-keeping	Companies to keep written financial records that: • correctly record and explain its transactions and financial position and performance • enable true and fair financial statements to be prepared and audited. The financial records can be kept: • in any language but must be capable of translation into English if required • in electronic form but must be convertible into hard copy • at any place, including outside Australia, so long as sufficient information is available in Australia to enable true and fair financial statements to be prepared.
286(2)	Record retention	Financial records must be retained for seven years after the transactions covered by the records are completed
45B, 285A, 294A, 294B, 301	Financial statements	A three-tiered framework exists for most companies limited by guarantee: • Small – annual revenue is less than $250,000 and does not have deductible gift recipient status. • Medium – annual revenue is $250,000 or more but less than $1,000,000, or annual revenue is less than $250,000 with deductible gift recipient status. • Large – annual revenue is $1,000,000 or more. Small companies limited by guarantee (Tier 1) are not required to prepare financial statements unless directed to do so by members with at least 5% of the votes, or ASIC. An exception to these requirements are Commonwealth companies or subsidiaries of Commonwealth companies and Commonwealth authorities as well as entities permitted to use the expressions 'building society', 'credit society' or 'credit union' under section 66 of the *Banking Act 1959*. These entities are all required to produce an annual report (and have an audit). Medium companies limited by guarantee (Tier 2) are required to prepare financial statements. Large companies limited by guarantee (Tier 3) are required to prepare financial statements.

Continued overleaf ›

10.1.1 **Table 1:** The Corporations Act *continued*

Section	Summary	Detail
295(1), 295(3)	Financial report	Where a financial report is required, it comprises: • the financial statements for the year • the notes to the financial statements • the directors' declaration about the statements and notes. In addition, a directors' report must be prepared (refer Directors' report section below). This is not subject to audit or review.
296(1)	Compliance with accounting standards	The financial statements and notes must comply with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). The financial statements and notes for a financial year must give a true and fair view of the financial position and performance of the company. If consolidated financial statements are required, they must give a true and fair view of the financial position and performance of the consolidated entity.
295(4)	Directors' declaration	The directors' declaration should state whether, in the directors' opinion: • there are reasonable grounds to believe that the company limited by guarantee will be able to pay its debts as and when they become due and payable • the financial statements and notes comply with accounting standards (s296) and give a true and fair view (s297).
298, 300B	Directors' report	The company (or consolidated entity if consolidated accounts are required) must prepare a directors' report for each financial year that, for a limited by guarantee company, contains: • a description of the short-term and long-term objectives of the entity • the entity's strategy for achieving those objectives • the entity's principal activities during the year • a description of how the activities assisted in achieving the entity's objectives • a description of how the entity measures its performance, including any key performance indicators used by the entity • the name of each director and the period they have been a director during or since the end of the financial year • each director's qualifications, experience and special responsibilities • number of meetings of the board of directors held during the year and each director's attendance at those meetings • for each class of membership, the amount for which a member is liable to contribute if the company is wound up • the total amount that members are liable to contribute if the company is wound up • a copy of the auditor's independence declaration under s307C in relation to the audit or the review.

Continued overleaf ›

10.1.1 **Table 1:** The Corporations Act *continued*

Section	Summary	Detail
294A(3)(c), 294B(3)	Audit/review	Small companies limited by guarantee (Tier 1) are not required to have their financial statements audited or reviewed unless directed to do so by members with at least 5% of the votes, or ASIC.
301(4)		Medium companies limited by guarantee (Tier 2) can elect to have a review rather than an audit, depending on their constitution and the requirements of any other legislation applicable or funding agreements.
301(1)		Large companies limited by guarantee (Tier 3) are required to have their financial statements audited.
Chapter 2M.4, Chapter 2M.3 Division 3	Qualifications of the auditor/reviewer	Companies limited by guarantee that are required to have an auditor must comply with the provisions of the *Corporations Act 2001* dealing with the appointment and removal of auditors. These provisions cover almost 70 pages of this Act, so this guidance is a summary only. It should be noted that the person, firm or company appointed as auditor of a company limited by guarantee must (among other things): • be a registered company auditor • comply with the auditor independence provisions of the *Corporations Act 2001*.
324BE(1)(b),Reg 2M.4.01A, Reg 2M.4.01		In circumstances where the medium (Tier 2) limited by guarantee company chooses to have a review, this can be performed by a member of one of the three accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia or Institute of Public Accountants) if they hold a practising certificate.
250N(3)	Submission of the financial report at annual general meeting (AGM)	The financial report of a company limited by guarantee, which is a public company under the *Corporations Act 2001*, must be laid before the AGM.
250N(2)	Timing of annual general meeting (AGM)	A company limited by guarantee must hold an AGM at least once in each calendar year and within five months after the end of the financial year.

10.1.2 Table 2: The ACNC Act

The Australian Charities and Not-for-profits Commission (ACNC) commenced operation in December 2012. The ACNC is responsible for regulating the operations of charities in Australia. All charities that were endorsed for charity tax concessions by the Australian Taxation Office were automatically registered with the ACNC when it commenced operations. Entities that are registered charities with the ACNC must comply with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and its accompanying regulations.

This table focuses on the financial reporting and audit requirements of the ACNC Act, the *Australian Charities and Not-for-profits Commission Regulation 2013* (Reg), the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* (C&T Act) and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Regulation 2016* (C&T Reg).

Section	Summary	Detail
55-5	Record-keeping	Registered entities are required to keep written financial records that: • correctly record and explain its transactions and financial position and performance • enable true and fair financial statements to be prepared and audited. Registered entities must also keep written records that correctly record its operations. The financial records can be kept: • in English or • readily accessible and easily convertible into English.
55-5(4)	Record retention	Records must be retained for 7 years after the transactions, operations or acts covered by the records are completed.
205-25, 60-10, 60-60	Financial statements	A three-tiered framework exists for registered entities as follows: • Small – annual revenue is less than $250,000. • Medium – annual revenue is $250,000 or more but less than $1,000,000. • Large – annual revenue is $1,000,000 or more. Medium and large registered entities must prepare financial statements unless they are a 'basic religious charity'. These are due for lodgement no later than 31 December (six months after the end of the financial year) unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement. Small registered entities are not required to prepare financial statements.

Continued overleaf ›

10.1.2 **Table 2:** The ACNC Act *continued*

Section	Summary	Detail
205-35	Basic religious charity	A basic religious charity is defined in section 205-35 as one that: • is a registered charity • is registered with a subtype that is the advancement of religion • is not entitled to be registered as any other subtype of charity (i.e. it does not have another independent purpose). Basic religious charities cannot be: • a body corporate registered under the *Corporations Act 2001* • a corporation registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* • a corporation registered under the *Companies Act 1985* of Norfolk Island • an entity that is incorporated under any of the relevant state or territory incorporated associations legislation • an entity that has deductible gift recipient status (except as excluded by s205-35(3A)) • an entity that forms part of a reporting group for the year (s60-95) • an entity whose total grants received from Australian government agencies in the current financial year or either of the previous two financial years exceeds $100,000.
60-5	Annual information statement	All registered entities (except corporations registered with the Office of the Registrar of Indigenous Corporations) must prepare an annual information statement (AIS). This is due for lodgement no later than 31 December (six months after the end of the financial year) unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement.
60-15, Reg 60.5	Financial report	Where annual financial reports are required, they comprise: • the financial statements for the year • the notes to the financial statements • the responsible entity's declaration about the statements and notes.
Reg 60.10(1), Reg 60.10(2), Reg 60.10(3)	Compliance with accounting standards	Subject to the transitional relief below, the financial report must comply with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). The notes are the notes required by the accounting standards and any other information necessary to give a true and fair view of the entity's financial position and performance.

Continued overleaf ›

10.1.2 **Table 2:** The ACNC Act *continued*

Section	Summary	Detail
Reg 60.30		When special-purpose financial statements are prepared, the following minimum accounting standards must be applied: • AASB 101 *Presentation of Financial Statements* • AASB 107 *Statement of Cash Flows* • AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* • AASB 1048 *Interpretation of Standards* • AASB 1054 *Australian Additional Disclosures.*
C&T Act Schedule 1 Part 4 Item 10(1) and Item 10(4), C&T Reg Part 2 Item 5	Transitional relief in respect of reporting to state and territory regulators	For financial years up to and including the 2023-2024 financial year, the ACNC Commissioner may treat a statement, report or other document given under an Australian law as being: • an information statement or • the reports mentioned in 60-10 of the ACNC Act for a financial year given to the ACNC Commissioner in accordance with subdivision 60-C (Annual financial reports) or 60-D. Based on this provision, at the date of this publication, the ACNC website indicates that the Commissioner has agreed to accept state/territory financial reports up to and including the 2021 financial year that are required to be lodged: • in all states and territories for co-operatives • in Queensland for incorporated associations and charitable fundraising organisations. For the 2021 information statement, associations incorporated in all states and territories other than Queensland must prepare financial statements in accordance with the ACNC Act (i.e. there are no longer transitional exemptions for restating comparative information).
C&T Part 4 Schedule 1 Item 10(3A) and Item 10(4), C&T Reg Part 2 Item 5	Transitional relief in respect of non-government schools	For financial years, up to and including the 2024 financial year, the Commissioner will accept Financial Questionnaires submitted to the Commonwealth Department of Education, Skills and Employment under the *Australian Education Act 2013* (Cth) as meeting the requirements under Sub-division 60-C (Annual financial reports).

Continued overleaf ›

10.1.2 **Table 2:** The ACNC Act *continued*

Section	Summary	Detail
60-95, 60-100, 60- 105	Collective or joint reporting	Under the collective or joint reporting provisions, groups of charities that meet certain criteria can apply to the ACNC to prepare a combined set of financial reports that incorporate all the financial activities of a group. • **Joint reporting** – two or more registered entities that form a reporting group are allowed to prepare and lodge a single annual information statement or a single annual information statement and a single annual financial report. • **Collective reporting** – two or more registered entities that form a reporting group are allowed to prepare and lodge one or more annual information statements or one or more single annual information statements and one or more single annual financial reports other than on an entity by entity basis.
Reg 60.15	Responsible entity's declaration	The declaration, to be attached with the annual financial report, should state: • whether the registered entity is able to pay its debts as and when they become due and payable • whether the financial statements and notes satisfy the requirements of the ACNC Act.
60-20, 60-25	Audit/review	Small registered charities are not required to have their financial reports audited or reviewed. Medium-sized registered charities may have their financial reports audited or reviewed. Large registered charities must have their financial reports audited.
60-30(1), 60-30(2)	Qualifications of the auditor/reviewer	Audits can be undertaken by: • a registered company auditor (RCA) as defined under the Corporations Act • a firm with at least one member who is an RCA who is ordinarily resident in Australia, or • an authorised audit company as defined under the Corporations Act. Reviews can be undertaken by: • those suitable to provide audits (as above), or • a member of one of the three accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia or Institute of Public Accountants) who holds a practising certificate.

Continued overleaf ›

10.1.2 **Table 2:** The ACNC Act *continued*

Section	Summary	Detail
60-35, 60-40,	Audit/review report	The audit or review must be undertaken in accordance with Australian Auditing standards. An independence declaration is required to be provided to the registered entity.
60-45		The auditor's report must, in respect of the financial report: • consider compliance with Division 60 of the Act • quantify the effect of any non-compliance if practicable (or state why not if possible) • describe any material defect or irregularity and any deficiency, failure or shortcomings in respect of: – whether all information and assistance has been provided – whether financial records are sufficient – whether other records as required have been kept • includes statements or disclosures required by auditing standards.
60-50		The reviewer's report must, in respect of the financial report: • contain a statement whether, on the basis of the review, anything has come to the reviewer's attention that causes the reviewer to believe that the financial report does not satisfy the requirements of Division 60 of the Act • quantify the effect of any non-compliance if practicable (or state why not if possible) • describe any material defect or irregularity and any deficiency, failure or shortcomings in respect of: – whether all information and assistance has been provided – whether financial records are sufficient – whether other records as required have been kept • include statements or disclosures required by the review engagement standards.
60-65, 175-35	Errors in annual information statements and financial reports	When a registered entity identifies a material error in a lodged annual information statement or annual financial report, it must give a corrected statement to the ACNC Commissioner as follows: • small registered entities – within 60 days after the entity identifies the error. • medium or large registered entities – within 28 days after the entity identifies the error. There are administrative penalties for failing to give the Commissioner the corrected statements within the time frames noted above.
	Annual general meetings	The ACNC does not include any requirements for holding AGMs, or for laying the financial report before an AGM. Charities should refer to state/territory or other legislation to determine whether an AGM is required, and whether the financial report submitted to the ACNC must be laid before the AGM.

10.1.3 **Table 3:** Incorporated associations – Australian Capital Territory (ACT)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in the ACT.

Incorporated associations registered as charities with the ACNC

These requirements do not apply to incorporated associations that are ACNC registered charities (s70A of the Associations Incorporation Act 1991). The record-keeping, reporting and auditing requirements for ACNC registered charities are summarised in Table 2).

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-4 (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
71(a)	Record-keeping	Keep accounting records that correctly record and explain the transactions (including any transactions as trustee) and the financial position of the association.
71(b)(i), 71(b)(ii)		Keep accounting records in such a way that: • true and fair accounts of the association can be prepared from time to time • a statement of the accounts of the association can be conveniently and properly be audited or reviewed in accordance with the legislation.
71(c)	Record retention	Retain accounting records for at least seven years after the transactions to which they relate were completed.
72(1), 72(2)	Financial reports	A three-tiered framework exists for incorporated associations as follows: • Small – Annual revenue is less than $400,000 (unless more than 1000 members or holds a liquor license)*. • Medium – annual revenue is $400,000 or more but less than $1,000,000. • Large – annual revenue is $1,000,000 or more. *An incorporated association which meets the revenue threshold for small but holds a liquor license or has over 1000 members must apply the requirements for medium incorporated associations. The committee of the association must prepare a statement of the association's accounts. The statement of accounts must not be misleading and must give a true and fair account of: • the income and expenditure of the association • the assets and liabilities of the association • any mortgages, charges or other securities of any description affecting any property of the association.

Continued overleaf ❯

10.1.3 **Table 3:** Incorporated associations – Australian Capital Territory (ACT) *continued*

Section	Summary	Detail
76(3)(iii)	Compliance with accounting standards	Large associations must prepare financial reports in accordance with accounting standards.
74(1), 74(2)	Audit/review	Small associations must have their financial reports reviewed. Medium associations may have their financial reports audited or reviewed. Large associations must have their financial reports audited. The committee of an incorporated association must take reasonable steps to ensure that the audit or review of the association's accounts is completed at least 14 days before the statement of accounts is required to be presented at the annual general meeting of the association.
70B	Qualifications of auditor/reviewer	The auditor is a person who is not a member or officer of the association, has not prepared or assisted with the preparation of the accounts, and is either: • registered as an auditor under the Corporations Act, or • a member of Chartered Accountants Australia and New Zealand, the Institute of Public Accountants or CPA Australia. The reviewer means a person who is not a member or officer of the association and has not prepared or assisted with the preparation of the accounts.
73(1), 73(2)	Consideration of accounts at the annual general meeting (AGM)	At each AGM of an incorporated association, the following documents must be presented by the committee for consideration at the meeting: • statement of accounts (the accounts) for the most recently ended financial year • copy of the audit/review report • a report signed by two members of the committee stating: – name of each member of the committee of the association during the most recently ended financial year, and if different, at the date of the report – principal activities of the association during the most recently ended financial year – any significant changes in nature of the principal activities that occurred during the financial year – net profit/loss of the association for the most recently ended financial year. In addition, the committee of a large association must ensure the prescribed number of copies are available for perusal by the members immediately before and during the AGM.
69	Timing of annual general meeting (AGM)	An incorporated association must hold an AGM once in every calendar year, within five months beginning at the end of the association's most recently ended financial year.

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10.1.3 **Table 3:** Incorporated associations – Australian Capital Territory (ACT) *continued*

Refer below for the legislation applicable to ACT incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 1991 (updated and effective 1 July 2019)	Associations Incorporation Regulation 1991	https://www.accesscanberra.act.gov.au/s/article/incorporated-associations-tab-overview

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.1.4 **Table 4:** Incorporated associations – New South Wales (NSW)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in NSW.

Incorporated associations registered as charities with the ACNC

Administrative arrangements are in place between NSW Fair Trading and the ACNC to reduce the financial reporting burden for NSW incorporated associations registered with the ACNC. These entities are only required to submit their annual financial reports to the ACNC, which will then securely share the data with NSW Fair Trading. In order to take advantage of this exemption, financial reports must comply with the reporting requirements in Table 2, and the association must complete all the required fields in the ACNC electronic lodgement. However, other aspects noted in the table below with respect to record-keeping and AGMs would still apply to ACNC registered charities.

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-0 (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
50(1)(a), 50(2)	Record-keeping[3]	Keep accounting records that correctly record and explain the transactions and the financial position of the association. For Tier 1 associations, the records must be sufficient to enable financial statements to be prepared in accordance with Australian Accounting Standards.
Reg 14	Record retention	Retain accounting records for a period of not less than five years after it was made.
42(1), Reg 8	Financial reports	A two-tiered framework exists for incorporated associations as follows: Tier 1 – gross receipts greater than $250,000 or current assets greater than $500,000. Tier 2 – gross receipts of $250,000 or less and current assets of $500,000 or less.

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3. In addition, where the incorporated association is a fundraiser within the meaning of the *Charitable Fundraising Act 1991*, section 22(1) of that Act requires that **for each appeal**, records of income and expenditure must be kept and retained for a period of not less than five years after it was made.

10.1.4 **Table 4:** Incorporated associations – New South Wales (NSW) *continued*

Section	Summary	Detail
43(2), Reg 9, C/O No 11/01 47(2), Reg 10	Compliance with accounting standards	Tier 1 associations must prepare accounts in accordance with Australian Accounting Standards and include details of mortgages, charges or other securities affecting any property owned by the association. A separate income and expenditure statement and balance sheet is also required for each trust for which the association is trustee. Where revenue is <$2,000,000, exemption is given from Australian Accounting Standards if the following is prepared: • an income and expenditure statement that sets out appropriately classified individual sources of income and individual expenses incurred in the operation of the association • a balance sheet that sets out the assets and liabilities of the association (classified as current and non-current) • a statement of movement in equity, showing movements in retained funds and movements in any reserves • notes to the financial statements, including, as a minimum, a statement of accounting policies • details of any mortgages, charges and other securities affecting any property owned by the association • a separate income and expenditure statement and balance sheet for each trust for which the association is trustee, and • a consolidated statement of income and expenditure, and a consolidated balance sheet that consolidates investments in subsidiaries (except for any trusts for which it acts as trustee). In addition, the recognition, measurement and classification of accounting standards must be applied, and compliance with AASB 1048 *Interpretation of Standards*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 127 *Separate Financial Statements* is required. Tier 2 associations must prepare: • an income and expenditure statement that sets out appropriately classified individual sources of income and individual expenses incurred in the operation of the association • a balance sheet that sets out the assets and liabilities of the association (classified as current and non-current) • details of any mortgages, charges and other securities affecting any property owned by the association A separate income and expenditure statement and balance sheet is also required for each trust for which the association is trustee.
43(1)(b)	Audit	The financial statements of a Tier 1 association must be audited. There is no requirement for the financial statements of a Tier 2 association to be audited or reviewed.

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10.1.4 **Table 4:** Incorporated associations – New South Wales (NSW) *continued*

Section	Summary	Detail
C/O 10/01	Qualifications of auditor	The audit of the financial statements of a Tier 1 association must be carried out by: • a registered company auditor within the meaning of the *Corporations Act 2001* • a member who holds a public practice certificate of Chartered Accountants Australia and New Zealand, CPA Australia or the Institute of Public Accountants • the Auditor-General of the Commonwealth of Australia or of a state or territory, or • a person approved by the Secretary. The auditor's report must identify which accounting body the auditor is a member of and that they hold a public practice certificate issued by one of those bodies.
52(2), C/O 10/02		The audit cannot be carried out by a person who is, or who has at any time within the past two years been: • a member of the association • an employee or provider of professional services (other than audit services) to the association • a committee member, or • the association's public officer. Relief is given to the above requirement if the audit is carried out in accordance with APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, and the audit report includes an auditor's independence declaration.
Charitable Fundraising Act 1991 – section 24	Qualifications of auditor (fundraising organisations)	The accounts of any organisation that holds an authority to conduct a fundraising appeal must be audited annually by a person qualified to audit accounts for the purposes of the Corporations Act, or having other qualifications or experience approved by the Minister.
44, 48	Submission of financial statements to the annual general meeting (AGM)	Both Tier 1 and Tier 2 associations must submit their annual financial statements to the AGM.
37(2)	Timing of annual general meeting (AGM)	An incorporated association must hold an AGM within six months after the close of the association's financial year.

Refer below for the legislation applicable to NSW incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 2009	Associations Incorporation Regulation 2016	https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.1.5 **Table 5:** Incorporated associations – Northern Territory (NT)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in the NT.

Incorporated associations registered as charities with the ACNC

Administrative arrangements are in place between Licensing NT and the ACNC to reduce the financial reporting burden for NT incorporated associations registered with the ACNC. These entities are only required to submit their annual financial reports to the ACNC, and financial reports must comply with the reporting requirements in Table 2 (rather than as noted below).

The ACNC does not ordinarily require financial reports for small charities. If small charities wish to take advantage of this relief, they will be required to submit an annual report to the ACNC as part of its Annual Information Statement.

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
41(a), 41(b)	Record-keeping	Keep accounting records that correctly record and explain the transactions (including transactions as trustee) and the financial position of the association. Keep accounting records in such a way that: • true and fair accounts of the association can be prepared from time to time • a statement of the accounts of the association can be conveniently and properly be audited or reviewed in accordance with the legislation.
41(c)	Record retention	Retain accounting records for at least seven years after the transactions to which they relate were completed.
42(1), Reg 12, Reg 13	Financial reports	A three-tiered framework exists for incorporated associations as follows: Tier 1 – gross receipts less than $25,000 or gross assets less than $50,000. Tier 2 – gross receipts between $25,000-$250,000 or gross assets between $50,000-$500,000 or holds a gaming machine license. Tier 3 – gross receipts greater than $250,000 or gross assets greater than $500,000 or performs local government functions. All associations, regardless of size, must prepare accounts. The committee of the association must ensure that a statement of the association's accounts are prepared, either before the AGM, or if an AGM is not required, as soon as is practicable after the financial year end.

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10.1.5 **Table 5:** Incorporated associations – Northern Territory (NT) *continued*

Section	Summary	Detail
42(2)	Accounting	The statement of accounts must not be misleading and must give a true and fair account of: • the income and expenditure of the association • the assets and liabilities of the association • any mortgages, charges or other securities of any description affecting any property of the association. There are additional requirements if the association is the trustee of a trust for all or part of the financial year.
43(1)(b), 46, 47, 48	Audit	The financial statements of Tier 1, Tier 2 and Tier 3 associations all require an audit.
46(1), 47(2), 48(2)	Qualifications of auditor	A Tier 1 association must ensure its accounts are audited by a person who: • is not a member of the association • is not the spouse or de facto partner or a business partner, employer or employee of a member of the association, or • is not the spouse or de facto partner or a business partner of an employee of a member of the association. A Tier 2 association must ensure its accounts are audited by a person who: • is a member of an accountants' body • holds qualifications in a prescribed class of qualifications, or • is, or is a member of a class of persons, approved by the Commissioner. A Tier 3 association must ensure its accounts are audited by a person who: • holds a public practice certificate issued by an accountants' body • is, or is a member of a class of persons, approved by the Commissioner, or • is registered as an auditor under the *Corporations Act 2001*.
Charitable Fundraising Act 1991 – section 24	Qualifications of auditor (fundraising organisations)	The accounts of any organisation that holds an authority to conduct a fundraising appeal must be audited annually by a person qualified to audit accounts for the purposes of the Corporations Act, or having other qualifications or experience approved by the Minister.

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10.1.5 **Table 5:** Incorporated associations – Northern Territory (NT) *continued*

Section	Summary	Detail
43(1)	Presentation of accounts to the annual general meeting (AGM)	At each annual general meeting of an incorporated association, the committee must present the following documents for the consideration of the meeting: • the audited statement of the association's accounts in relation to the last financial year of the association • a copy of the auditor's report to the association in relation to the association's accounts for that financial year, and • a report signed by two members of the committee stating: – the names of each committee member of the association during the last financial year, and if different, at the date of the report – the principal activities of the association during the last financial year and any significant change in the nature of those activities that occurred during that financial year – the net profit/loss of the association for the last financial year.
36	Timing of annual general meeting (AGM)	An incorporated association must hold an AGM once in each calendar year, within five months after the close of the association's last financial year.

Refer below for the legislation applicable to NT incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Act 2003	Associations Regulations 2004 Associations (Model Constitution) Regulation 2004	https://nt.gov.au/law/rights/incorporated-associations

The hyperlinks above are current at time of writing. Changes may have occurred since publication.

10.1.6 **Table 6:** Incorporated associations – Queensland (QLD)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in QLD.

Incorporated associations registered as charities with the ACNC

There are currently no streamlined reporting arrangements in place for QLD incorporated associations registered with the ACNC. The ACNC will therefore still accept financial reports prepared under the *Associations Incorporations Act 1981* (requirements summarised in the table below).

Section	Summary	Detail
Reg 9(5)(a), Reg 9(5)(b), Reg 9(5)(c)	Record-keeping	Keep accounting records in English in a way that correctly records and explains the transactions and financial position of the association. Keep accounting records in a way that enables: • financial statements to be prepared for the association • financial statements to be properly and conveniently audited or reviewed in accordance with the legislation.
Reg Schedule 5, paragraph 8	Record retention	Keep financial records in the State (Queensland) for at least seven years.
59(2)(a), 59A(2)(a), 59B(2)(a)	Financial reports	A three-level framework exists for incorporated associations as follows: Level 1 – current assets greater than $100,000 or revenue greater than $100,000. Level 2 – current assets between $20,000-$100,000 or revenue between $20,000-$100,000. Level 3 - current assets less than $20,000 or revenue less than $20,000. Members of the management committee must ensure the association, within six months of the end of each financial year, prepares a financial statement for its last reportable financial year. This applies to all levels of associations.
Schedule 2	Accounting	'Financial statement' is defined as a statement containing particulars of the association's: • income and expenditure during the financial year • assets and liabilities as at the end of the financial year, and • mortgages, charges and securities affecting property of the association as at the end of the financial year.
59(1), 59(2)(b), 59A, 59B	Audit	All Level 1 associations are required to have their financial statements audited. In addition, Level 2 and Level 3 associations required to have an audit under the *Collections Act 1966*, the *Gaming Machine Act 1991,* or any other law, must also have an audit under this Act. Other Level 2 and Level 3 associations are not required to have an audit.

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10.1.6 **Table 6:** Incorporated associations – Queensland (QLD) *continued*

Section	Summary	Detail
59(2)(b), 58, 59E	Qualifications of the auditor	The members of the management committee of the incorporated association must ensure the financial statement is audited by: • Level 1 – an 'auditor' or an 'accountant' • Level 2 or 3 – an 'auditor', an 'accountant', or an approved person 'Accountant' means: • a member of CPA Australia who is entitled to use the letters CPA or FCPA • a member of Chartered Accountants Australia and New Zealand who is entitled to use the letters CA or FCA, or • a member of the Institute of Public Accountants who is entitled to use the letters MIPA or FIPA. 'Auditor' means a person registered as an auditor under the Corporations Act. 'Approved person' means a person approved for an incorporated association by the chief executive under section 59E.

59(2)(c),
59A(2),
59B(2)
	Presentation of financial statement to the annual general meeting (AGM)	**Level 1**
		Members of the management committee must ensure the association, within six months of the end of each financial year, presents the financial statement and the signed audit report to the AGM for adoption.
		
		Level 2
		Members of the management committee must ensure the association, within six months of the end of each financial year, presents to the AGM for adoption:
		• the financial statement for the last reportable financial year, and
		• a statement signed by an auditor, accountant or approved person that states that:
		  – the person has sighted the association's financial records, and
		  – the association's financial records show that the association has bookkeeping processes in place to adequately record the association's income and expenditure and dealings with its assets and liabilities.
		
		Refer to 'Qualifications of the auditor' above for the meaning of 'accountant', 'auditor' and 'approved person'.
		
		Level 3
		Members of the management committee must ensure the association, within six months of the end of each financial year, presents to the AGM for adoption:
		• the financial statement for the last reportable financial year, and
		• a statement signed by the association's president or treasurer stating that the association keeps financial records in a way that properly records the association's income and expenditure and dealings with its assets and liabilities

55	Timing of AGM	An incorporated association must hold an AGM within six months after the end of the financial year.

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10.1.6 **Table 6:** Incorporated associations – Queensland (QLD) *continued*

Refer below for the legislation applicable to QLD incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 1981	Associations Incorporation Regulation 1999 (effective 13 July 2012)	https://www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/associations-charities-and-non-for-profits/incorporated-associations

The hyperlinks above are current as at time of writing. Changes may have occurred since publication

10.1.1 **Table 7:** Incorporated associations – South Australia (SA)

The record-keeping, financial reporting and audit responsibilities of incorporated associations in SA primarily apply to '**prescribed associations**', although some of the record-keeping and record retention requirements also apply to other incorporated associations.

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in SA.

Incorporated associations registered as charities with the ACNC

These requirements do not apply to prescribed associations that are ACNC registered charities[4] (refer s34(1) of the *Associations Incorporation Act 1985*) and/or those that hold a Collections for Charitable Purposes Licence. The record-keeping and reporting requirements for ACNC registered charities are summarised in Table 2).

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-2 (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
39C(1), 35(1)	Record-keeping	An incorporated association must keep accounting records that correctly record and explain the transactions and financial position of the association. A prescribed association must keep accounting records in such a way that enables: • the preparation from time to time of accounts that present fairly the results of operations of the association, and • the accounts of the association to be conveniently and properly audited.
39C(2), Regulation 7	Record retention	Incorporated associations must keep accounting records in the State (South Australia) for at least seven years.
35(2)(a), 3	Financial reports	All prescribed associations must prepare accounts. Section 3 defines a 'prescribed association' as an incorporated association: a. that had gross receipts in the previous financial year in excess of: i. $200,000; or ii. such greater amount as is prescribed by regulation (currently $500,000); or b. that is prescribed or of a class prescribed by regulation.

Continued overleaf ›

4. The Annual Information Statement and, if relevant, financial report and auditor's or reviewer's report of a prescribed association submitted to the ACNC must be laid before the AGM (s34(2)).

10.1.1 **Table 7:** Incorporated associations – South Australia (SA) *continued*

Section	Summary	Detail
35(2)(a), 35(2)(c)	Accounting	A prescribed association must, after the end of a financial year of the association, cause accounts in respect of the financial year to be prepared. Accounts of an incorporated association means either: • a combination of an account of receipts and payments recording the total receipts and payments based on the cash method of accounting, and a statement of assets and liabilities, or • a combination of an account of income and expenditure recording the total income and expenditure based on the accrual method of accounting, and a balance sheet, together with such statements, reports and notes, other than auditor's reports, as are attached to and intended to be read with the account, statement or balance sheet, as the case may be. A statement, made in accordance with a resolution of the committee and signed by two or more members of the committee, must be attached to the accounts of the prescribed association. The statement should state whether or not the accounts present fairly the results of operations for the financial year and the state of affairs as at the end of the financial year, and also whether the committee has reasonable grounds to believe that the prescribed association will be able to pay its debts as and when they fall due. The statement should also include particulars of subsidiaries of the prescribed association, as well as any trust of which the prescribed association is a trustee.
35(2)(b)	Audit	A prescribed association must, after the end of a financial year of the association, cause the accounts to be audited.
35(2)(b), 35(4)	Qualifications of the auditor	The accounts are to be audited by: • a registered company auditor • a firm of registered company auditors • a person who is a member of CPA Australia or Chartered Accountants Australia and New Zealand or such other person who may be approved by the Commission as an auditor of the accounts of the association for the purposes of the Act. Persons who cannot be appointed as auditor of the prescribed association are: • an officer • a partner, employer or employee of an officer • an employee, or • a partner or an employee of an employee of the prescribed association.

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10.1.1 **Table 7:** Incorporated associations – South Australia (SA) *continued*

Section	Summary	Detail
35(6)	Presentation of accounts to the annual general meeting (AGM)[5]	The committee of a prescribed association must cause the following to be laid before the association's members at the AGM: • the accounts, including the statement prepared in accordance with subsection (2)(c), • the auditor's report on the accounts, and the report of the committee in accordance with subsection (5) dealing with officers' benefits.
34(2), 39(1)(a), 39(1)(b)	Timing of AGM	A prescribed association registered with the ACNC and submitting the Annual Information Statement, financial statements and audit/review report to the Commonwealth Commissioner under the ACNC Act must hold an AGM within six months after the end of the financial year. A prescribed association that is not registered with the ACNC must hold an AGM within five months after the end of the financial year.

Refer below for the legislation applicable to SA incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 1985	Associations Incorporation Regulations 2008	https://www.sa.gov.au/topics/family-and-community/community-organisations/types/incorporated-associations

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

5. For ACNC registered charities, the Annual Information Statement, financial report, and auditor's or reviewer's report submitted to the ACNC must be laid before the AGM (s34(2)). This is in lieu of the documents usually submitted under s35(2), i.e. accounts and the committee's statement on the accounts.

10.1.1 **Table 8:** Incorporated associations – Tasmania (TAS)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in TAS.

Incorporated associations registered as charities with the ACNC

The financial reporting requirements do not apply to ACNC registered charities (refer s24B(1B)) of the *Associations Incorporation Act 1964*). These are summarised in Table 2. Other requirements such as for record-keeping, record retention and AGMs would still apply.

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-3 (see Incorporated associations, cooperatives and other legal structures section) for more information

Section	Summary	Detail
23A(1)(a), 23A(4), 23A(1)(b)	Record-keeping	Keep accounting records in Tasmania that correctly record and explain the transactions (including as trustee) and financial position of the incorporated association. Keep accounting records in such a way that: • true and fair accounts of the association can be prepared from time to time, and • the accounts of the association can be conveniently and properly audited.
23A(3)	Record retention	Retain accounting records for a period of seven years after the completion of transactions to which they relate.
24B(1)(a), 24(1C)(a), 24B(1A)(a)	Financial reports	Incorporated associations must prepare accounts, unless they are "exempt". Incorporated associations are "exempt" if revenue for the year is less than $250,000. Exempt associations need only prepare a statement of income and expenditure for the financial year.
24(1), Model Rule 8(1), 24B(1)(b)	Accounting	'Accounts' are not defined in the Act. However, the Model Rules, section 8.1 requires 'accounts of receipt and expenditure' to be kept of the following: • each receipt or payment of money by the association and the matter in respect of which the money was received or paid, and • each asset or liability of the association. In addition, within six months of the end of the financial year, section 24B(1)(b) requires that a non-exempt association must lodge with the Commissioner such statements as in the opinion of the auditor are adequate to explain its: • financial transactions for that financial year, and • financial position as at the end of the financial year.
24(1)	Audit	As soon as practicable after the end of its financial year, the committee of a non-exempt association must cause the affairs of the association to be audited.

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10.1.1 **Table 8:** Incorporated associations – Tasmania (TAS) *continued*

Section	Summary	Detail
24(1), 24(3)	Qualifications of the auditor	The financial affairs of the association can be audited by: • a person who is a registered company auditor within the meaning of the Corporations Act, or • such other person as the Commissioner, having regard to the complexity of the financial affairs of the association, may approve. Persons who cannot be appointed as auditor of the association are: • a public officer or a member of the committee • a servant • a partner, employer or employee of the public officer, a partner, employer or employee of a member of the committee of the association.
Model Rule 13(5)(b), 11(2)(b)	Presentation of accounts to the annual general meeting (AGM) – all associations	The ordinary business of the AGM is to receive from the committee, auditor, employees and other persons acting on behalf of the association, reports on the transactions of the association during the last preceding financial year. After auditing the financial affairs of a non-exempt association for a particular financial year, the auditor is to provide a written report to the members of the association at the next AGM.
Model Rule 13(2)	Timing of AGM	An annual general meeting is to be held on any day the committee determines (being not later than three months after the end of the financial year).
24B(1), 24B(1A)	Annual returns	Within six months of the end of financial year, non-exempt associations[6] must lodge with the Commissioner for Corporate Affairs an annual return containing: • a report on the accounts of the association, stating whether the association has, in the opinion of the auditor, kept proper accounting records and other books during the period covered by the accounts • such statements as in the opinion of the auditor are adequate to explain the financial transactions for that financial year and financial position as at the end of the financial year • auditor's report on above two items, and • a list, signed by the auditor, of the names and residential addresses of the committee for that financial year. Within six months of the end of financial year, exempt associations must lodge with the Commissioner for Corporate Affairs an annual return containing: • a statement of the association's income and expenditure for the financial year, and • a list of the names and residential addresses of the committee for that financial year.

6. ACNC registered charities need to report to the ACNC and comply with the ACNC's reporting requirements rather than the *Associations Incorporation Act 1964*, therefore, no annual return is required. If requested by the Commissioner of Corporate Affairs, the ACNC registered charity must, within 30 days, provide a copy of the annual financial report given to the ACNC (s24B(1C)). The reporting requirements for ACNC registered charities are summarised in Table 2.

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10.1.1 **Table 8:** Incorporated associations – Tasmania (TAS) *continued*

Refer below for the legislation applicable to TAS incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 1964	Associations Incorporation Regulations 2007 Associations Incorporation (Model Rules) Regulations 2017	https://cbos.tas.gov.au/topics/clubs-fundraising/incorporated-associations

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.1.9 **Table 9:** Incorporated associations – Victoria (VIC)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in VIC.

Incorporated associations registered as charities with the ACNC

Administrative arrangements are in place between Consumer Affairs Victoria and the ACNC to reduce the financial reporting burden for VIC incorporated associations registered with the ACNC. These entities are only required to submit their annual financial reports to the ACNC, and financial reports must comply with the reporting requirements in Table 2 (rather than as noted below). However, other aspects noted in the table below with respect to record-keeping and AGMs would still apply to ACNC registered charities.

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-5 (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
89(1)	Record-keeping	Keep financial records that: • correctly record and explain the transactions and financial position of the association, and • would enable true and fair financial statements to be prepared.
89(2)	Record retention	Retain financial records for seven years after the transactions covered by the records are completed.
90(1), 90(2), 90(3), 90(4), 90(5)	Financial reports	A three-tier framework exists for incorporated associations as follows: Tier 1 – total revenue less than $250,000 Tier 2 – total revenue between $250,000-$1,000,000 Tier 3 – total revenue greater than $1,000,000 Total revenue means total income during the last financial year from all activities of the association, and is calculated before deducting any expenses, including the cost to the association of goods sold. As soon as is practicable after the end of the financial year of the association, the committee must cause financial statements for the year to be prepared.

Continued overleaf ›

10.1.9 **Table 9:** Incorporated associations – Victoria (VIC) *continued*

Section	Summary	Detail
92, 95, 98, 101	Compliance with accounting standards	The basis of preparation of the financial statements is as follows: • Tier 1 – True and fair view of financial performance and position • Tier 2 and Tier 3 – Australian Accounting Standards The financial statements must contain particulars of: • the income and expenditure of the association during and at the end of its last financial year assets and liabilities of the association at the end of its last financial year • mortgages, charges and securities of any description affecting any property of the association at the end of its last financial year, and • additional information in relation to trusts.
93(1), 96(1), 96(5), 99(1)	Audit/review	Tier 1 – there is no requirement for the financial statements to be audited or reviewed. However, a review is required if a majority of members present at a general meeting of the association vote to do so, or if the association is directed to do so in writing by the Registrar. Tier 2 – must have their financial statements reviewed unless an audit is required by the rules of the association. Tier 3 – must have their financial statements audited.
99(2), 96(1)	Qualifications of the auditor/reviewer	A Tier 3 association must, after the end of each financial year, have its financial statements audited by: • a registered company auditor • a firm of registered company auditors • a person who is a member of, and holds a current practising certificate from, CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants, or • any other person who is approved by the Registrar under section 99(5) to audit the financial statements. The financial statements of a Tier 2 association must be reviewed by an independent person who is: • a member of, and holds a current practising certificate from, CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants, or • approved by the Registrar under section 96(4).

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10.1.9 **Table 9:** Incorporated associations – Victoria (VIC) *continued*

Section	Summary	Detail
94(1), 97(1)	Submitting financial statements to the annual general meeting (AGM)	At the AGM following the financial year of the association, the committee must submit to the members of an association the financial statements for that financial year. The financial statements must: • give a true and fair view of the financial position and performance of the association during and at the end of its last financial year • have attached a certificate signed by two members of the committee certifying that the financial statements give a true and fair view, and • be accompanied by an audit or review report if the financial statements were required to be audited or reviewed.
63(1), 63(4)	Timing of the AGM	An incorporated association must hold an AGM at least once in every calendar year, within five months after the end of the financial year.

Refer below for the legislation applicable to VIC incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporations Reform Act 2012	Associations Incorporation Reform Regulations 2012	https://www.consumer.vic.gov.au/clubs-and-fundraising/incorporated-associations

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.1.10 **Table 10:** Incorporated associations – Western Australia (WA)

The following table summarises the record-keeping, financial reporting and auditing requirements for associations incorporated in WA.

Incorporated associations registered as charities with the ACNC

Administrative arrangements are in place between Consumer Protection and the ACNC to reduce the financial reporting burden for WA incorporated associations registered with the ACNC. These entities are only required to submit their annual financial reports to the ACNC, and financial reports must comply with the reporting requirements in Table 2 (rather than as noted below). However, other aspects noted in the table below with respect to record-keeping and AGMs would still apply to ACNC registered charities.

Refer to https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators/regulation-6 (see Incorporated associations, cooperatives and other legal structures section) for more information.

Section	Summary	Detail
66(a), 66(b)	Record-keeping	Keep financial records that: • correctly record and explain the transactions and financial position and performance, and • enable true and fair financial statements to be prepared.
67	Record retention	Retain financial records for at least seven years after the transactions covered by the records are completed.
68(1), 71(1), 74(1), 64(1), 64(2), 64(3), 90(4), 90(5)	Financial reports	A three-tier framework exists for incorporated associations as follows: Tier 1 – total revenue less than $250,000 Tier 2 – total revenue between $250,000-$1,000,000 Tier 3 – total revenue greater than $1,000,000 Total revenue means total income during the last financial year from all activities of the association, and is calculated before deducting any expenses, including the cost to the association of goods sold. Within six months of the end of each financial year, the association must prepare financial statements/reports for the year.

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10.1.10 **Table 10:** Incorporated associations – Western Australia (WA) *continued*

Section	Summary	Detail
68(2)(a), 68(2)(b), 63(1), 63(2), 71(2), 63(1), 63(2), 74(2)	Compliance with accounting standards	The basis of preparation of the financial statements is as follows: • Tier 1 – Cash or accrual basis • Tier 2 and Tier 3 - Australian Accounting Standards The financial statements of a Tier 1 association that uses the cash basis of accounting may prepare: • a statement of receipts and payments for the financial year • a reconciled statement of bank account balances at the end of the financial year, and • a statement of assets and liabilities at the end of the financial year. The financial statements of a Tier 1 association that uses the accrual basis of accounting may prepare: • a statement of income and expenditure for the financial year, and • a balance sheet. The financial statements of a Tier 2 or Tier 3 association consists of: • the financial statements for the year • notes required by the accounting standards • the management committee's declaration about the financial statements and notes. The notes to a Tier 2 and Tier 3 association's financial statements are the disclosures required by accounting standards and any other information necessary to give a true and fair view of the financial position and performance of the association. The financial statements and notes to the financial statements of a Tier 2 or Tier 3 association must: • give a true and fair view of the financial position and performance of the association, and • comply with accounting standards.
69(1), 72(1), 72(3), 75	Audit/review	Tier 1 – There is no requirement for the financial statements of Tier 1 associations to be audited or reviewed. However, a review or audit is required for Tier 1 financial statements if a majority of members present at a general meeting of the association pass a resolution requiring an audit or a review, or if the association is directed to do so in writing by the Commissioner. Tier 2 – Must have financial statements reviewed unless a majority of members present at a general meeting of the association pass a resolution requiring an audit, or if the association is directed to have an audit by the Commissioner. Tier 3 – Must have their financial statements audited.
88(2), Regulation 12	Qualifications of the auditor/ reviewer	A person is qualified for appointment as a reviewer or auditor if the person is: • a member of Chartered Accountants Australia and New Zealand, CPA Australia or the Institute of Public Accountants (an auditor will likely be required to have a current public practising certificate) • a registered company auditor under the Corporations Act, or • a person the Commissioner considers has appropriate qualifications or experience and approves.

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10.1.10 **Table 10:** Incorporated associations – Western Australia (WA) *continued*

Section	Summary	Detail
70(2), 70(3), 70(4), 73(2), 73(3), 73(4), 76	Submitting financial statements to the annual general meeting (AGM)	The association must present for consideration at the AGM the financial statements of the association for the financial year, as well as any review or audit report (if applicable).
50(1), 50(3)	Timing of the AGM	An incorporated association must hold an AGM in each calendar year, within six months after the end of the financial year.

Refer below for the legislation applicable to WA incorporated associations, as well as supporting material.

Title of legislation	Regulations	Supporting material
Associations Incorporation Act 2015	Associations Incorporation Regulations 2016	https://www.commerce.wa.gov.au/consumer-protection/associations-and-clubs

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.1.11 **Table 11:** Co-operatives

All states and territories operate under uniform national legislation known as the Co-operatives National Law (CNL). Co-operatives wishing to carry on business across state/territory borders no longer have to register in each jurisdiction. New South Wales was originally the lead jurisdiction for CNL and other states and territories have since followed with legislation to enable adoption of the CNL.

The record-keeping, financial reporting and auditing requirements contained in the CNL and Co-operatives National Regulations is outlined in the table below. These requirements apply to all co-operatives, regardless of whether they are charities registered with the ACNC.[7]

Section	Summary	Detail
265(1), 266	Record-keeping	A co-operative must keep written financial records that: • correctly record and explain its transactions and financial position and performance, and • would enable true and fair financial statements to be prepared and audited. The financial records may be kept in any language but the co-operative must ensure that an English translation is made available within a reasonable time to a person who is entitled to inspect the records asks for the English translation.
265(2)	Record retention	Retain financial records for seven years after the transactions covered by the records are completed.
270(1) and (2), 273(1), 273(2), Reg 1.4, Reg 3.12	Financial reports	A large co-operative must prepare a financial report and directors' report under Division 3. The financial report consists of: • the financial statements • notes to the financial statements • directors' declaration about the financial statements and notes. A small co-operative must prepare a financial report and a directors' report under Division 3 if directed to do so by: • members with at least 5% of the voting rights (s271), or • the Registrar (s272). Otherwise, a small co-operative does not prepare a financial report and directors' report under Division 3. Instead, it prepares a financial report as per Reg 3.10. A small co-operative is one which satisfies at least two of the following three criteria: • Revenue less than $8 million, • Assets less than $4 million, or • Less than 30 employees. A large co-operative is a co-operative which is not a small co-operative.

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7. As noted in Table 2, co-operatives registered as charities with the ACNC are not required to comply with the financial reporting requirements of the ACNC Act up to and including the 2021 financial year. Instead, the ACNC will accept financial reports prepared in accordance with the CNL.

10.1.11 **Table 11:** Co-operatives *continued*

Section	Summary	Detail
274, 275, 271(3), 270(3), Reg 3.10	Compliance with accounting standards	Large co-operatives – Financial statements must comply with Australian Accounting Standards and give a true and fair view of the financial performance and position of the co-operative (or consolidated entity, if applicable). Where consolidated financial statements are presented, additional information for the parent entity is required. Small co-operative (direction by members or Registrar) – The requirements are the same as for large co-operatives. However, the direction by members may specify all or any of the following: • that the co-operative does not need to comply with some or all of the accounting standards • that a directors' report (or part thereof) need not be prepared. Small co-operative (no member or Registrar direction) – The financial report must include: • an income and expenditure statement setting out appropriately classified sources of income and individual expenses incurred in the operations of the co-operative, • a balance sheet, including appropriately classified individual assets and liabilities of the co-operative, • statement of changes in equity, • cash flow statement*, • comparatives, and • statement of significant accounting policies. The financial statements must present a true and fair view of the co-operative's financial position, performance and cash flows. *A cash flow statement is not required if the consolidated revenue is less than $750,000 <u>and</u> the consolidated gross assets are less than $250,000.
276(1), 276(3), 276(4)	Audit/review	Large co-operative – The financial report must be audited. Small co-operative – The member or Registrar direction may specify that the financial report must be audited or reviewed. If the direction does not specify the manner in which the audit/review is to be conducted, then it must be conducted in accordance with Division 3 of Part 2M.3 the *Corporations Act 2001*. If the direction specifies some other manner, it must be conducted in accordance with that direction.
Division 12	Qualifications of auditor/reviewer	Needs to be a Registered Company Auditor
Reg 3.13	Provision of financial reports to members of a small co-operative (no member or Register direction)	A small co-operative must provide the financial report to members prescribed by Reg 3.10.

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10.1.11 **Table 11:** Co-operatives *continued*

Section	Summary	Detail
287(1)(a), 287(1)(b)	Consideration of financial reports at the annual general meeting (AGM)	Large co-operative – The directors must lay before the AGM the financial report, directors' report and the auditor's report. Small co-operative – The directors must lay before the AGM the documents specified in the members/Registrar direction, or as required by Reg 3.10.
252	Timing of AGM	A co-operative must hold an AGM once in each calendar year and within five months after the end of the financial year.

Refer below for additional supporting material for co-operatives:

State/territory	Supporting material
Australian Capital Territory	https://www.accesscanberra.act.gov.au/s/article/co-operative-registration-tab-frequently-asked-questions
New South Wales	https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/co-operatives
Northern Territory	https://nt.gov.au/industry/start-a-business/key-decisions/business-structures/cooperatives
Queensland	https://www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/associations-charities-and-non-for-profits/cooperatives
South Australia	https://www.sa.gov.au/topics/family-and-community/community-organisations/types/co-operatives
Tasmania	https://www.cbos.tas.gov.au/topics/licensing-and-registration/registrations/co-operatives
Victoria	https://www.consumer.vic.gov.au/licensing-and-registration/co-operatives
Western Australia	https://www.commerce.wa.gov.au/consumer-protection/co-operatives

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.2 New Zealand

NFPs that are **registered charities** will need to have regard to the requirements of the *Charities Act 2005*, as well as the legislation under which it is formed. For NFPs that are **not registered charities**, reporting is generally determined by the legal form of the entity. In some cases, a charity's or NFPs founding documents (e.g., rules or constitution) may require the preparation of financial statements, and for these to be audited or reviewed, even if there is no statutory requirement.

Type of entity	Table reference
Registered charities under the *Charities Act 2005*	Table 12
Incorporated societies under the *Incorporated Societies Act 1908* (not a registered charity under the *Charities Act 2005*)	Table 13
Trusts under the *Trusts Act 2019*	Table 14

10.2.1 **Table 12:** Registered charities

Charities Services was established on 1 July 2012, taking over from the Charities Commission. It is a New Zealand government agency and part of the Department of Internal Affairs. It administers the *Charities Act 2005* and maintains the charities register.

Section	Summary	Detail
42A	Financial statements	Every charitable entity must prepare general purpose financial statements.
42A	Compliance with accounting standards	The financial statements must comply with the accounting standards issued by the External Reporting Board (XRB). In the case of a 'specified not-for-profit entity' the financial statements must be prepared in accordance with generally accepted accounting practice (GAAP) which means Tier 1, 2 or 3 (accrual accounting). An entity is a specified not-for-profit entity in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating payments of the entity are $125,000 or more. Other entities are able to use a non-GAAP standard (Tier 4 – cash accounting).
41	Annual return	Every charitable entity must prepare an annual return. The annual return and financial statements must be lodged with Charities Services no later than six months after the end of the financial year.
42C	Audit/review	Large charitable entities must have their financial statements audited. A charitable entity is large in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is $1 million or more. Medium-sized charitable entities must have their financial statements audited or reviewed. A charitable entity is of medium size in respect of an accounting period if it is not large and in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is $500,000 or more. Other registered charities are not required to have their financial statements audited or reviewed.
42C	Qualifications of the auditor/reviewer	Audits and reviews can only be undertaken by a 'qualified auditor'. Qualified auditor has the same meaning as in section 35 of the *Financial Reporting Act 2013*.
42F	Audit/review report	The audit or review must be carried out in accordance with applicable auditing and assurance standards issued by the XRB.

10.2.2 **Table 13:** Incorporated societies

The following table summarises the reporting and auditing requirements for incorporated societies in New Zealand.

Incorporated societies registered as charities with Charities Services

These requirements do not apply to incorporated societies that are registered as charities with Charities Services (s23(4)(b) of the *Incorporated Societies Act 1908*). The reporting and auditing requirements for registered charities are summarised in Table 12.

Section	Summary	Detail
23	Financial statements	Every society must prepare annual financial statements The financial statements shall be accompanied by a certificate signed by some officer of the society to the effect that the statement has been submitted to and approved by the members of the society at an annual general meeting (AGM). These must be lodged with the Companies Office. The deadline for filing is the end of the month that follows the AGM.
23	Compliance with accounting standards	The financial statements do not have to comply with the accounting standards issued by the External Reporting Board (XRB), they can be special purpose financial statement, but they must contain: (a) the income and expenditure of the society during the society's last financial year, (b) the assets and liabilities of the society at the close of the said year, (c) all mortgages, charges, and securities of any description affecting any of the property of the society at the close of the said year.
	Audit/review	There is no statutory requirement to have the financial statements audited or reviewed.

Refer below for the legislation applicable to New Zealand incorporated societies, as well as supporting material.

Title of legislation	Regulations	Supporting material
Incorporated Societies Act 1908	*Incorporated Societies Regulations 1979*	https://is-register.companiesoffice.govt.nz/

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.2.3 **Table 14:** Trusts

The following table summarises the reporting and auditing requirements for trusts in New Zealand.

Trusts registered as charities with Charities Services

These requirements do not apply to trusts that are registered as charities with Charities Services. The reporting and auditing requirements for registered charities are summarised in Table 12.

Section	Summary	Detail
45	Accounting records	Each trustee of a trust must keep, so far as is reasonable, any accounting records and financial statements prepared during that trustee's trusteeship.
	Financial statements	There is no statutory requirement for financial statements to be prepared.
	Audit/review	There is no statutory requirement for any financial statements that are prepared to be audited or reviewed

Refer below for the legislation applicable to New Zealand trusts, as well as supporting material.

Title of legislation	Regulations	Supporting material
Trusts Act 2019	None	https://www.justice.govt.nz/justice-sector-policy/key-initiatives/trust-law-reform/

The hyperlinks above are current as at time of writing. Changes may have occurred since publication.

10.2.4 Legislative developments

Work is currently underway to modernise the *Charities Act 2005*, and a discussion document was issued in February 2019. Some have proposed that a new 'micro entity' tier be created for charities with $10,000 or less operating expenditure. These charities would not need to comply with the current XRB reporting standards. For example, they would instead complete a fill-in-the-box financial statement form annually, containing minimum financial information (without non-financial information). Alternatively, tier 4 charities could be required only to file an annual return (without accompanying performance reports or financial statements).

There is an Incorporated Societies Bill making its way through the Parliamentary process that would repeal and replace the *Incorporated Societies Act 1908*. Under the proposed Bill, the majority of incorporated societies would be required to prepare general purpose financial reports (GPFR) – that is financial statements prepared in accordance with the accounting standards issued by the External Reporting Board (XRB). "Small" societies would still be required to prepare financial statements but would have the option of special purpose financial reports (SPFR). The Bill carries forward the current minimum requirements for SPFR (see table above). Societies are "small" if they are not a donee organisation for tax purposes and, for the previous two years, they have:

- Total operating payments under $10,000; and
- Total assets under $30,000.

The Bill proposes that every society that is "large" must get their financial statements audited by a qualified auditor. Societies are "large" if, for the previous two years, they have:

- Total assets over $60 million; or
- Total revenue over $30 million

Financial statements must be prepared, audited (if required) and filed with the Companies Office within 6 months after the end of the accounting period. In addition, an annual return must be completed and filed. An Annual General Meeting (AGM) must be held within 6 months of balance date, where the financial statements and an annual report on the operation and affairs of the society must be presented.

The *Financial Reporting (Inflation Adjustments) Regulations 2021* have been issued and increase various reporting and audit thresholds specified in legislation to account for inflation, including the meaning of:

- "Specified not-for-profit entity" in section 46 of the *Financial Reporting Act 2013*. Total operating payments increase from $125,000 to $140,000.
- "Large" in section 42D of the *Charities Act 2005*. Total operating expenditure increases from $1 million to $1.1 million.
- "Medium" in section 42D of the *Charities Act 2005*. Total operating expenditure increases from $500,000 to $550,000.
- "Large" in section 45 of the *Financial Reporting Act 2013*. Assets increase from $60 million to $66 million and revenue increases from $30 million to $33 million.

These regulations come into force on 1 January 2022.

Learn more

https://www.dia.govt.nz/charitiesact

https://www.charteredaccountantsanz.com/member-services/technical/reporting/reporting-in-focus/new-bill-to-reform-incorporated-societies-in-nz

CA ANZ's Guidance for Not-for-Profit Financial Reporting in New Zealand
https://www.charteredaccountantsanz.com/member-services/technical/reporting/not-for-profit-reporting

11. Useful resources

There are extensive resources available to NFPs and charities to assist them through the complexity of legislation and regulation and to adopt best practice. In the following table, we have provided a selection of links to government and other organisations that make resources available to NFPs and charities.

11.1 Non-government organisations

Non-government organisations	Website	Resources available and comments
ASX Corporate Governance Council	https://www2.asx.com.au/about/regulation/asx-corporate-governance-council	The ASX Corporate Governance Council seeks to provide leadership in enhancing corporate governance in Australia. Its Corporate Governance Principles provide guidance for best practice corporate governance disclosures.
Australian Council for International Development (ACFID)	www.acfid.asn.au	ACFID is the peak body of Australian non- government organisations involved in international development and humanitarian action. ACFID's purpose is to lead and unite members in action for a just, equitable and sustainable world.
Australian Institute of Company Directors (AICD)	www.companydirectors.com.au	The AICD provides leadership on directors' issues and governance. It provides professional development and resources for directors.
Centre for Social Impact (CSI)	www.csi.edu.au	CSI is involved in teaching, research, measurement and the promotion of public debate to create beneficial social impact. Go to the CSI Research link for access to research reports.
Chartered Accountants Australia and New Zealand	https://www.charteredaccountantsanz.com/member-services/technical/reporting/not-for-profit-reporting	Chartered Accountants Australia and New Zealand produces tools and resources for not-for-profit reporting. Included in this section is the Westpac and CA ANZ "Guide for Community Financial Officers in Australia" designed to help Financial Officers of community organisations, of all shapes and sizes, to take on the role with greater knowledge and confidence and to help Board members to understand what is required of a Financial Officer.
CommunityNet Aotearoa	https://community.net.nz/resources/charities-services/reporting-standards-for-registered-charities/	Includes guidance on applying the reporting standards for registered charities

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11.1 Non-government organisations *continued*

Non-government organisations	Website	Resources available and comments
Fundraising Institute of Australia (FIA)	www.fia.org.au	FIA provides career development opportunities for professional fundraisers and advocates on behalf of the fundraising industry.
Global Reporting Initiative (GRI)	www.globalreporting.org	GRI is an international independent organisation that produce the GRI guidelines – the world's standards for sustainability reporting.
Governance Institute of Australia	www.governanceinstitute.com.au	The Governance Institute of Australia provides professional development and support for risk and governance professionals. It runs a NFP support programme and training for NFP governance professionals.
Institute of company Directors (NZ)	https://www.iod.org.nz/	The Institute of Directors in New Zealand seeks to add value across New Zealand business and society including to the charity sector. It has a resource section dedicated to not-for-profits.
Value Reporting Foundation (previously the International Integrated Reporting Council (IIRC))	https://www.integratedreporting.org/ https://www.valuereportingfoundation.org/about/	The Value Reporting Foundation is a global non-profit organisation that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value – how it is created, preserved and eroded. Its resources include the Integrated Thinking Principles, the Integrated Reporting Framework and SASB standards.
Not-for-Profit Resource	https://www.not-for-profit.org.nz/	The NFP Resource website is published under the aegis of the NZ Association Resource Centre Trust (CC49299), NZARCT. Provides co-operative support to NFPs and charities in New Zealand and those considering establishing such bodies.
Our Community	www.ourcommunity.com.au	Our Community provides extensive links to information and resources that can be used by all NFPs. Our Community has a code of governance for the Australian community sector.
Philanthropy Australia	www.philanthropy.org.au	Philanthropy Australia advocates for Australia's philanthropy and not-for-profit sectors. It provides extensive resources through its website.
Philanthropy New Zealand	https://philanthropy.org.nz/	Philanthropy New Zealand is the peak body representing and supporting philanthropy and grantmaking in New Zealand. It facilitates collaboration and offers practical guidance.
Social Impact Measurement Association Australia (SIMNA)	https://simna.com.au/	SIMNA is a membership organisation whose purpose is to help foster the emerging practice of social impact measurement in Australia. Its aim is to build a community of practice that can lead and shape the development of social impact measurement both in Australia and around the world.
Vicsport	https://vicsport.com.au/	Vicsport is an independent member-based organisation representing Victoria's sport and active recreation sector. It has a number of resources for associations and clubs including a good governance toolkit under the 'Governance' tab and the heading 'Good Governance Framework'.

11.2 Government organisations

Government organisations	Website	Resources available and comments
Australian Accounting Standards Board	www.aasb.gov.au	The AASB's website provides links to Accounting Standards. Links are also provided to resources regarding current proposed standards, such as Reporting Service Performance Information.
Australian Charities and Not-for-profits Commission	www.acnc.gov.au	The ACNC is Australia's national regulator for charities. Information is available on registration and managing a charity. There is also a 'search for a charity' function on the website, where information can be obtained on registered charities in Australia (unless they have been withheld). Extensive research materials on the charity sector are also available along with publications and interpretation statements.
Australian Securities and Investments Commission	www.asic.gov.au	ASIC regulates companies limited by guarantee that are not registered charities. The 'Regulatory Resources' tab on the website has a section on financial reporting and audit that summarises the relevant requirements.
Australian Competition and Consumer Commission (ACCC)	https://www.accc.gov.au/publications/guide-to-the-acl-for-charities-not-for-profits-fundraisers	*The guide to the Australian Consumer Law (ACL) for fundraising and other activities of charities, not-for-profits and fundraisers* sets out general principles and examples to assist the charity and fundraising sector in understanding its obligations under the ACL.
Australian Sports Commission	www.ausport.gov.au	Follow the links to: Sport Governance for a link to the ASC's governance principles.
Australian Taxation Office	www.ato.gov.au	Follow the link to the not-for-profit homepage for comprehensive overview of the application of taxation legislation to NFPs.
Australian Capital Territory: Access Canberra	www.accesscanberra.act.gov.au	Search 'incorporated associations' for information about Associations' obligations, the public register and other resources. Search 'charitable collections licensing' for Information about *Charitable Collections* and the *Charitable Collections Act 2003*.
External Reporting Board (XRB)	https://www.xrb.govt.nz/accounting-standards/not-for-profit/	Accounting standards for use by NFPs and charities in NZ.
Inland Revenue	https://www.ird.govt.nz/roles/non-profits	Outlines the tax obligations and exemptions applicable to a NFP in New Zealand.
Justice Connect	https://nfplaw.org.au/	A charity providing free and low cost legal resources, training and advice to community organisations.

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11.2 Government organisations *continued*

Government organisations	Website	Resources available and comments
New South Wales: NSW Fair Trading	www.fairtrading.nsw.gov.au	Go to Associations & Co-operatives bar for extensive information regarding legislation and guidance regarding the operation of the incorporated associations legislation and compliance with legislation and regulations. Information and guidance on the new national co-operatives law is also available. Refer to the Charitable fundraising for information about the *Charitable Fundraising Act 1991*, obtaining authority to fundraise and controls that exist over charities including expenses, record keeping, disclosure, financial reporting and audit, and lodgement of returns.
New Zealand: Charities Services	www.charities.govt.nz	Charity Services is part of the Department of Internal Affairs and is legislated by the *Charities Act 2005*. Their role is to promote public trust and confidence in the charities sector and to encourage the effective use of charitable resources. They provide educational support, advice and materials.
Northern Territory Government information and services	www.nt.gov.au	Contains extensive information regarding legislation and guidance for the operation of the incorporated associations legislation and compliance with legislation and regulations. Refer https://nt.gov.au/industry/gambling/gambling/lotteries-community-gambling for information regarding the Gaming Control (Community Gaming) regulations that cover raffles.
Queensland: Fair Trading	www.qld.gov.au/law/fair-trading	Refer to Associations, charities and not for profits › Incorporated Associations for extensive information regarding incorporated associations. Refer to Associations and not for profits › Charities and fundraising for information about registering a charity, rules for fundraising in Queensland and reporting and audit requirements.
South Australia: Consumer and Business Services	www.cbs.sa.gov.au	Refer to the Associations and Co-operatives tab for extensive information regarding legislation and guidance regarding the operation of the incorporated association and co-operatives legislation, compliance with legislation and regulations. Refer to Fundraising for Organisations section for information about fundraising in South Australia in accordance with the *Collections for Charitable Purposes Act 1939*.
Tasmania: Consumer Affairs and Fair Trading	www.consumer.tas.gov.au	Refer to the clubs and fundraising tab for extensive information regarding legislation and guidance regarding the operation of the incorporated associations legislation and compliance with legislation and regulations.
Victoria: Consumer Affairs Victoria	www.consumer.vic.gov.au	Refer to Clubs and fundraising tab for extensive guidance regarding incorporated associations in Victoria.
Western Australia: Department of Commerce	www.commerce.wa.gov.au	Refer to the consumer protection section for Information about Charities and Associations and Clubs (how to become an incorporated association and the rules/guidelines for running one), and also information for Charities about applying for a license, types of charitable collections and a list of licensed charities in WA.

12. Glossary

Acronym	Name
AASB	Australian Accounting Standards Board
ACFID	Australian Council for International Development
ACNC	Australian Charities and Not-for-profits Commission
AUASB	Auditing and Assurance Standards Board (Australia)
CA ANZ	Chartered Accountants Australia and New Zealand
CID	Council for International Development (New Zealand)
GPFR	General Purpose Financial Report
NFP	Not-for-Profit
PBE	Public Benefit Entity
SPFR	Special Purpose Financial Report
XRB	External Reporting Board (New Zealand)