

PRIORITY CONSULTATION PAPER 3

REPORTING REQUIREMENTS AND THRESHOLDS

**Associations Incorporation Regulation 1999
Collections Regulation 2008**



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Contents

Introduction	2
Have your say	2
Privacy statement	3
Where to find the Amendment Act	3
Background	4
Context.....	4
Current reporting requirements under the <i>Associations Incorporations Act 1981</i>	4
Current reporting requirements under the <i>Collections Act 1966</i>	5
Exemption from financial reporting obligations to the OFT	5
Purpose of this consultation	5
Part 1: Associations Incorporation Act annual revenue and current asset thresholds	5
Possible options for Associations Incorporation Act <i>revenue</i> thresholds	6
Note to proponents of option 1D and 1E (alignment with ACNC thresholds)	7
Options for Associations Incorporation Act <i>asset</i> thresholds.....	8
Part 2: Reporting requirements under the Collections Act	8
Part 3: Financial documents that must be retained by incorporated associations and Collections Act organisations	9
Next steps.....	11

Introduction

On 16 June 2020, the Parliament of Queensland passed the *Associations Incorporation and Other Legislation Amendment Act 2020* (the Amendment Act). The intention of the Amendment Act, which included changes to the *Associations Incorporation Act 1981* and the *Collections Act 1966*, was to reduce red tape for the Queensland not-for-profit (NFP) sector and safeguard the internal governance of incorporated associations.

When Acts are made or amended, supporting regulations are generally created to define the finer detail of the laws enacted by the Parliament. For matters affecting incorporated associations and fundraising organisations, the relevant regulations are the Associations Incorporation Regulation 1999 and Collections Regulation 2008, respectively.

To support various reforms introduced by the Amendment Act, new regulations are required in the Associations Incorporation Regulation to provide the details of:

- the **model rule grievance procedure** that will apply by default to all incorporated associations (unless the incorporated association has its own compliant grievance procedure in its rules)
- how **remuneration and benefits** given to management committee members and senior officers (and their relatives) must be disclosed at an association's annual general meeting (AGM), and what information as to remuneration and benefits must be disclosed
- the **financial reporting requirements** under the Associations Incorporation Act and Collections Act, such as exemptions and other financial matters.

The Department of Justice and Attorney-General will be consulting on these and other matters affecting the Associations Incorporation Regulation.

This discussion paper deals with **financial reporting requirements and thresholds**. For further background and discussion papers related to other aspects of the consultation, please visit [the Office of Fair Trading website](#).

Have your say

Submissions can be lodged by email or post at:

Email: nfpconsultation@justice.qld.gov.au

Mail: Not-for-profit subordinate legislation review discussion paper
Office of Regulatory Policy
Department of Justice and Attorney-General
Locked Bag 180
City East QLD 4002

Please include your name, organisation and contact details when making a submission.

Submissions are due by **12 September 2022**.

Privacy statement

Any personal information you include in your submission will be collected by the Department of Justice and Attorney-General (the Department) for the purpose of obtaining comment on this issue. Your submission may also be released to other government agencies as part of the consultation process. Submissions provided to the Department will be treated as public documents. This means that they may be published on the Department's website, together with the name and suburb of each person or entity making a submission. If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly in the submission. However, please note that all submissions may be subject to disclosure under the Right to Information Act 2009, and access applications for submissions, including those marked confidential, will be determined in accordance with that Act.

If you have any questions regarding the handling of your personal information by the Department, please visit the department's website at: <https://www.justice.qld.gov.au/about-us/information-and-privacy>.

Where to find the Amendment Act

The Amendment Act, and the Acts it amended, can be found on the Queensland legislation website. While respondents are encouraged to view the legislation, it is not necessary to do so in order to participate in this consultation. For interested parties, links are provided as follows:

[*Associations Incorporation and Other Legislation Amendment Act 2020*](#)

[*Associations Incorporation Act 1981*](#)

[*Collections Act 1966*](#)

If you have received this document in hard copy, you can find the Amendment Act and indicative reprints by typing the following link into the address bar of your internet browser:

<https://www.legislation.qld.gov.au/view/html/asmade/act-2020-017/lh>

Background

Context

Some of the legal authorities and benefits given to the Queensland Not-for-profit sector come with a financial reporting obligation. Most commonly, these obligations apply to:

- associations that are incorporated in Queensland under the *Associations Incorporation Act 1981* (Associations Incorporation Act)
- organisations that have approval to conduct fundraising in Queensland either as charities registered under the *Collections Act 1966* (Collections Act) or as associations with community purpose objects that are sanctioned under the Collections Act (collectively hereafter *Collections Act organisations*).

Current reporting requirements under the *Associations Incorporations Act 1981*

Queensland associations incorporated under the Associations Incorporation Act, unless classed as an exempt association (see below), are required to prepare an annual financial statement. The type of external verification that must be applied to the statement is determined by revenue and asset thresholds. These thresholds define associations into three levels for reporting purposes:

- **Large incorporated associations** have total revenue *or* current assets of more than \$100,000. A large incorporated association must have its annual financial statement audited by an auditor or accountant. The financial statement and the signed audit report must then be presented to the association's annual general meeting (AGM) for adoption.¹
- **Medium incorporated associations** have total revenue *or* current assets of more than \$20,000, with **both** remaining under \$100,000. A medium incorporated association must have its annual financial statement reviewed by an auditor, accountant, or a person approved by the chief executive. The financial statement and a statement signed by the person who undertook the review must be presented to the association's AGM for adoption. The signed statement must declare that the reviewer has seen the association's financial records and that the association's bookkeeping processes adequately record its income and expenditure, and dealings with its assets and liabilities.
- **Small incorporated associations** have total revenue *and* current assets of less than \$20,000. A small incorporated association is not required to have its financial statement reviewed or audited. Instead, the financial statement and a statement signed by the president or treasurer must be presented to the association's AGM for adoption. The signed statement must declare that the association keeps its financial records in a way that properly records its income and expenditure, and dealings with its assets and liabilities.

In each case above, the financial statement and verification document (audit report or relevant statement) must be:

- presented to the association's AGM within six months of the end of the incorporated association's financial year
- submitted to the Office of Fair Trading (OFT) within one month of the AGM.

For simplicity and the purposes of this paper, the reporting framework of the Associations Incorporation Act can be summarised as requiring external *review* when annual revenue or current assets exceed \$20,000, and *audit* when either of these attributes exceeds \$100,000. Therefore, the current review threshold is \$20,000, and the current audit threshold is \$100,000.

¹ Note that the Associations Incorporation Act requires "particular medium and small incorporated associations" that are required to prepare an audited financial statement under the Collections Act, the *Gaming Machine Act 1991*, or under another law, to report as large associations.

Current reporting requirements under the *Collections Act 1966*

All Collections Act organisations are required to submit an **audited** annual financial statement to the OFT within seven months of the end of the organisation's financial year. This requirement applies regardless of the organisation's annual revenue or current assets.

Exemption from financial reporting obligations to the OFT

From 29 July 2022, incorporated associations that are classed as *exempt associations* and Collections Act organisations that are classed as *exempt charities* are no longer required to lodge financial statements with the OFT under the Associations Incorporation Act or Collections Act if they fulfil an annual reporting obligation to the Australian Charities and Not-for-Profits Commission (ACNC).

An *exempt association* is still required to lodge documents with the OFT for changes of name, rules, address, office bearers, or transfer of incorporation to a company. In addition, an *exempt association* is also required to present to the incorporated association's AGM the same documents it is required to provide to the ACNC to ensure members are still kept apprised of the association's financial standing.

The exemptions defined in the Associations Incorporation and Collections Regulations provide that ACNC registrants are exempt from reporting to the OFT provided they:

- fulfil a reporting obligation to the ACNC by completing an annual information statement (AIS) and providing any necessary supporting financial information required by the ACNC
- accurately record a Queensland registration number on the AIS.²

As is the case in some other jurisdictions, the exemptions will **not** apply to ACNC registrants who are part of group reporting arrangements, or those for whom the ACNC does not publish financial reports or details (for example, revenue) on its register.

Purpose of this consultation

This consultation paper seeks views on a number of matters that can be addressed through amendments to the Associations Incorporation Regulation and the Collections Regulation, as set out as follows:

Part 1 seeks views on whether the annual revenue and current asset thresholds stated in the Associations Incorporation Act should be increased, and if so, what the thresholds should be. The thresholds stated in the Associations Incorporation Act will continue to apply to incorporated associations that are not exempt from reporting to the Queensland Government.

Part 2 seeks views on reporting requirements under the Collections Act.

Part 3 seeks views on financial documents that all incorporated associations and Collections Act organisations (including those that are exempt from reporting under the Associations Incorporation and Collections Acts) will be required to maintain.

Part 1: Associations Incorporation Act annual revenue and current asset thresholds

The thresholds that define financial verification requirements under the Associations Incorporation Act (summarised as \$20,000 for review and \$100,000 for audit) were introduced in 2007 and have not been modified since. Stakeholder views are therefore sought on whether the existing thresholds are adequate, and if not, what the new thresholds should be.

It should be noted that the new thresholds will only apply to *non-exempt* incorporated associations. ACNC registrants will, through their exemption, only need to report against the ACNC thresholds.

² Incorporated associations will need to provide their IA number, and charities or organisations with sanctioned community purposes will need to provide their CH number and CP number respectively.

These thresholds apply to annual *revenue* only and require *review* at \$500,000 and *audit* at \$3,000,000, as indicated in Table 1.

Table 1: Comparison of reporting thresholds		Thresholds	
		Review	Audit
	Determinant		
<i>Report to Queensland OFT (non-exempt entities)</i>			
Fundraisers (Collections Act)	Fundraising authority	N/A	All
Incorporated associations	Annual revenue or current assets	\$20,000	\$100,000
<i>Report to ACNC (exempt entities)</i>			
ACNC registrants until 2020-21 financial year	Annual revenue	\$250,000	\$1,000,000
ACNC registrants from 2021-22 financial year	Annual revenue	\$500,000	\$3,000,000

Possible options for Associations Incorporation Act revenue thresholds

The Associations Incorporation Act provides that the \$20,000 threshold for review and the \$100,000 threshold for audit apply *unless another amount is prescribed in the regulation*. Stakeholder views are therefore sought on what thresholds should be prescribed in the regulation.

Please note: As with ACNC thresholds, local thresholds will define the minimum **mandatory** standard for financial reporting by non-exempt Queensland incorporated associations. Associations will retain the optional ability to undertake audit or review at their own discretion, in accordance with their requirements and values, if their annual revenue and current assets are *below* the prescribed thresholds.

With this in mind, the question is now at what point should review and audit become mandatory? To simplify the discussion, Table 2 suggests possible options based on potentially relevant comparators.

Table 2: options for annual revenue thresholds

Option	Revenue Thresholds		Details
	Review	Audit	
1A	\$20,000	\$100,000	Reflects existing thresholds. This is not the preferred option.
1B	\$50,000	\$250,000	Thresholds partially align with Northern Territory (review \$25,000/audit \$250,000), and New South Wales (which does not have a review threshold but requires audits at \$250,000).
1C	\$150,000	\$500,000	Thresholds are partially aligned with those of South Australia, which does not have a review threshold but requires audits at \$500,000.
1D	\$250,000	\$1,000,000	Aligns with previous ACNC thresholds and now aligns with the current threshold in Victoria and Western Australia. Refer to notes below - this option would likely remove external verification requirements for approximately 80% of Queensland incorporated associations.
1E	\$500,000	\$3,000,000	Aligns with current ACNC thresholds. Refer to notes below - this option would likely remove all external professional verification requirements for an estimated 90% of Queensland incorporated associations.
1F	Other	Other	Respondents are welcome to suggest other thresholds and provide justification for their views.

It is to be noted that a preferred option or proposal is not presented. However, respondents who suggest alignment with ACNC thresholds are asked to consider and address the points made in the following section.

Note to proponents of option 1D and 1E (alignment with ACNC thresholds)

Option 1E is likely to be a popular option. Proponents of this option (and option 1D) are asked to consider the following in providing their responses:

- Only an estimated 12% of Queensland’s incorporated associations are registered with, and have an obligation to report to, the ACNC. These associations will be exempt from reporting under the Associations Incorporation Act and need only report under ACNC thresholds. The remaining 88% of Queensland’s incorporated associations are not registered with, and have no reporting obligation to, the ACNC. How are ACNC thresholds relevant to this non-exempt majority, and why should ACNC thresholds define Queensland’s requirements for these associations?
- ACNC registrants are subject to additional scrutiny that does not apply to non-registrants. For example, the ACNC publishes the financial data it receives from registered charities, effectively providing for public scrutiny of that information. Additionally, all Queensland incorporated associations, including those registered with the ACNC, remain entirely accountable to the OFT for their legal status as incorporated associations. The 12% of Queensland incorporated associations that are registered with the ACNC are therefore subject to significant additional scrutiny (i.e. potential public scrutiny of financial data, and the potential scrutiny of both the ACNC and the OFT) that does not apply to the 88% of Queensland incorporated associations who are not registered with the ACNC. How does this affect the view that ACNC thresholds should be applied to all Queensland incorporated associations?
- It is estimated that if ACNC thresholds were applied to all Queensland incorporated associations, external professional verification would be removed for at least 80% of the sector. Is this appropriate, given additional ACNC scrutiny will not apply to the majority of those associations, as above? Please consider also that incorporation provides for, among other things, indemnification of members and management committees for an association’s debts, and that reporting is an obligation that balances the benefits of incorporation with appropriate accountability and oversight.

As counterpoints, it is acknowledged that some other jurisdictions have previously aligned their thresholds with those of the ACNC (including for non-ACNC registrants), and may continue to do so following the increase to ACNC thresholds from the 2021-22 financial year.

It is also acknowledged that, on 22 June 2022, Queensland’s governance framework for incorporated associations was enhanced by the introduction of offences for management committees who fail to observe basic governance principles such as acting in good faith, disclosing conflicts of interests, and not trading the association while insolvent. These offences align Queensland’s incorporation framework more closely with that of other jurisdictions and may justify increased thresholds.

Additionally, the OFT has retained an ability to seek financial information, including audited financial information, from any incorporated association or fundraising entity, regardless of relevant reporting thresholds and any exemption that may apply to the entity. However, this ability will only be used in circumstances where serious concerns about the conduct of the entity are identified.

Questions

1. Taking into account the information above, which revenue thresholds are most appropriate?
2. If your preferred option is option 1D or 1E, what information can you provide to assist in justifying the thresholds?

Options for Associations Incorporation Act asset thresholds

Current assets of an incorporated association means the assets held by the association as at the end of its financial year, *other than* real property or assets capable of depreciation (such as vehicles and office equipment), and includes amounts held in financial institutions, stocks and debentures.

At present, for associations incorporated in Queensland, the value of the current asset threshold is equivalent to the revenue threshold, which gives current assets and annual revenue equal weight in determining the size of an association for reporting purposes.

In other jurisdictions where an asset threshold is applied (New South Wales and the Northern Territory), the asset threshold is double the annual revenue threshold, meaning that assets are given lesser weight in determining the size of the association for reporting purposes.

The ACNC does not observe an asset threshold and as such ACNC registrants who are exempt from Associations Incorporation Act reporting requirements will not have their reporting requirements defined by the value of their assets.

Rather than list potential values for a current asset threshold, this paper seeks views on the appropriate relationship between the revenue threshold and the asset threshold. Respondents are free to suggest specific asset thresholds irrespective of this approach. To assist stakeholders in providing feedback, the following are suggested as options for a current asset threshold under the Associations Incorporation Act:

Table 3: options for addressing current asset threshold

Option	Asset Thresholds		Details
	Review	Audit	
N/A	\$20,000	\$100,000	Reflects existing thresholds (for information and comparison).
2A	Equal to the value of the revenue threshold		Reflects the current approach in terms of revenue/asset ratio under the Associations Incorporation Act.
2B	Double the value of the revenue threshold		Aligns with the approach of other jurisdictions where an asset threshold is observed (New South Wales and Northern Territory).
2C	Another arrangement		Respondents may wish to suggest (and justify) alternative thresholds.
2D	Remove the asset threshold		Not a viable option. The Associations Incorporation Act doesn't allow the asset threshold to be removed by regulation. Please select next preferred option.

Questions

- Which approach to asset thresholds is preferred?

Part 2: Reporting requirements under the Collections Act

Collections Act organisations are currently required to submit an audited annual financial statement to the OFT within seven months of the end of the organisation's financial year. This audit requirement applies regardless of the organisation's annual revenue or current assets.

ACNC registrants are exempt from this requirement and need only report to the ACNC and to ACNC standards.

For those Collections Act organisations that continue to report to the OFT, the Amendment Act has introduced a provision that allows the type of verification that must be applied to a financial statement

by a Collections Act organisation to be prescribed in a regulation. This provides the opportunity to, for example, consider a threshold system for reporting under the Collections Act, similar to (and possibly aligned with) the one applied under the Associations Incorporation Act.

Most other jurisdictions tend to adopt a single audit threshold (rather than audit *and review* thresholds as applied to incorporated associations) for financial reports from authorised fundraisers. It is understood the following arrangements apply in select other jurisdictions (ACNC registrants may be exempt):

Table 4: jurisdictional comparison of audit requirements, charitable fundraising

Jurisdiction	Audit requirement (may not apply to ACNC registrants)
Australian Capital Territory	Audit required when annual revenue exceeds \$50,000
New South Wales	Audit required when annual revenue exceeds \$250,000
South Australia	All require audit
Victoria	Audit if directed
Western Australia	Audit or review required when annual revenue exceeds \$250,000

Questions

4. Should all entities who request funds from the public for charitable or community purposes in Queensland be subject to an audit requirement, or should an audit threshold apply?
5. If an audit threshold should apply, what should the threshold be?

Part 3: Financial documents that must be retained by incorporated associations and Collections Act organisations

Since 22 June 2022, the Associations Incorporation and Collections Acts require **all** incorporated associations and all Collections Act organisations to keep financial records that:

- (a) correctly record and explain its transactions and financial position and performance; and
- (b) enable true and fair financial statements to be prepared; and
- (c) enable audit reports or verification statements to be prepared, if necessary.³

Financial record is defined in both Acts to include:

- (a) an invoice, receipt, order for the payment of money, bill of exchange, cheque, promissory note and voucher; and
- (b) a document of prime entry; and
- (c) a working paper or other document needed to explain the methods used to prepare a financial statement, or adjustments made in preparing the statement.⁴

³ Section 59 of the Associations Incorporation Act, as amended by clause 22 of the Amendment Act; and section 31 of the Collections Act, as amended by clause 54 of the Amendment Act.

⁴ Section 58 of the Associations Incorporation Act, as amended by clause 21 of the Amendment Act; and section 5 of the Collections Act, as amended by section 51 of the Amendment Act.

Provisions also now require incorporated associations and Collections Act organisations to keep financial records, and that these entities must keep particular financial records as prescribed in a regulation.⁵

Both the Associations Incorporation and Collections Regulations currently prescribe particular financial records that must be kept for various purposes.⁶ These requirements are listed in Table 5 below.

Comments on the how the requirements should be modified or modernised are welcomed.

Table 5: Required financial documents as already prescribed

Requirement	Incorporated associations	Collections Act organisations
Cash book or statement of amounts received and paid	Always	Always
Petty cash book	Always	Always
Receipt book of receipt forms (which, unless kept by a computer system, must <i>either</i> contain receipt forms printed in duplicate and consecutively numbered, <i>or</i> be kept on the numbered butt principle)	Always	If required by OFT Receipts for all donations for door-to-door and street collections must be issued on the carbon copy or numbered butt principle
Records of the account the association keeps with a financial institution that are given to the association by the financial institution	Always	Not specifically stated
Register of assets	Always	If required by OFT or if the organisation has assets other than cash on hand or in a financial institution
Ledger	If required by OFT	If required by OFT
Journal	If required by OFT	N/A
Documentary evidence of payments made by the organisation, and receipts received	Not specifically stated but see next row	Always
Expenditure be supported by adequate documentation filed in chronological order	Always	Not specifically stated but see row above
Register of bulk tickets (if tickets are sold)	N/A	If required by OFT
Register of collecting boxes (if applicable)	N/A	If required by OFT
Record of devices acquired, distributed, sold or unsold (if applicable)	N/A	If required by OFT

⁵ Subsection 59(2) of the Associations Incorporation Act, as amended by clause 22 of the Amendment Act; and subsection 31(3) of the Collections Act, as amended by clause 54 of the Amendment Act.

⁶ See section 9 of the Associations Incorporation Regulation and section 30 and Schedule 2 of the Collections Regulation.

Questions

6. Is it necessary to prescribe specific financial documents that must be retained by incorporated associations and Collections Act organisations, given the broad requirement for those entities to keep financial records that correctly record and explain transactions, etc.?
7. Does prescribing specific documents assist relevant entities to ensure compliance with the requirement to retain financial records that correctly record and explain transactions, etc.?
8. Using the above as a starting point, do the lists of prescribed documents require any adjustments?
9. Noting that the list of prescribed documents will apply to **all** incorporated associations and all Collections Act entities, does any requirement create an unnecessary burden in terms of national harmonisation?

Next steps

The Department will develop necessary amendments to regulations based on the results of this consultation.