



## **GUIDE TO THE ROLE & DUTIES OF THE TREASURER**

### **THE ASSOCIATIONS FINANCES, AND THE COMMITTEE'S RESPONSIBILITY.**

**Sources:** [https://www.nfplaw.org.au/sites/default/files/media/Duties\\_Guide\\_CTH\\_2.pdf](https://www.nfplaw.org.au/sites/default/files/media/Duties_Guide_CTH_2.pdf);

[https://www.ncoss.org.au/sites/default/files/public/resources/Roles\\_Responsibilities.pdf](https://www.ncoss.org.au/sites/default/files/public/resources/Roles_Responsibilities.pdf)

<https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations>

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<https://www.fairtrading.nsw.gov.au/>

The *Associations Incorporation Act 2009 (NSW) (AI Act)*, and the *Associations Incorporation Regulation 2016 (AI Regulation)*.

Guide to Legal Duties of Committee Members [https://nsw.u3anet.org.au/wp-content/uploads/Guide\\_to\\_Duties\\_of\\_Committee\\_Members\\_CC\\_22May2019.pdf](https://nsw.u3anet.org.au/wp-content/uploads/Guide_to_Duties_of_Committee_Members_CC_22May2019.pdf)

### **References**

Australian Accounting Standards <https://www.aasb.gov.au/Pronouncements/Current-standards.aspx>

Australian Auditing Standards <https://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx>

### **Note:**

1. If your association is a registered charity, the ACNC's Governance Standards apply in addition to other sources of duties. These obligations and duties are not dealt with in this paper.
2. You should be guided by your association's own constitution in implementing procedure for the financial management and reporting of your association's finances. Reference to the Constitution in this paper are to the Constitution Template for NSW U3As

[https://nsw.u3anet.org.au/wp-content/uploads/COMMENTARY\\_ON\\_CONSTITUTION\\_TEMPLATE\\_FOR\\_NSW\\_U3As\\_Final\\_11May2019.pdf](https://nsw.u3anet.org.au/wp-content/uploads/COMMENTARY_ON_CONSTITUTION_TEMPLATE_FOR_NSW_U3As_Final_11May2019.pdf)

Further information and guidance may be found “guide for community Financial Officers” <https://www.davidsoninstitute.edu.au/community/not-for-profit-organisations/guide-for-community-financial-officers/>

**CURRENT** as at August 2019.

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**NOTE:** failure to comply with the provisions of the AI Act may attract a pecuniary penalty identified as a penalty point. Section 91 of the AI Act provides:

*Offences by committee members.*

*(1) If an association contravenes, whether by act or omission, any provision of this Act or the regulations, each committee member of the association is taken to have contravened the same provision if he or she knowingly authorised or permitted the contravention.*

*(5) For the purposes of this section, an association’s public officer (not otherwise being a committee member) is taken to be a committee member.*

As of January 2019 one penalty point equates to \$110 (s 17 of the [Crimes \(Sentencing and Procedure\) Act 1999 \(NSW\)](#)).

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## SUMMARY

The stewardship of an association’s finances and its financial health fall within the role of the treasurer. This paper addresses the role of the treasurer in fulfilling that task.

It also addresses the role of the management committee (committee) in ensuring that the treasurer meets his/her obligations.

## A. The Association's Objects<sup>1</sup>

1. The Objects found in every constitution creates the need for funding. The sources of that funding are expressed in the Constitution, but this may be varied by its members in general meeting.<sup>2</sup> Guidance as to the setting of the level of membership fees, the major source of funds for most U3A's is found in the Constitution<sup>3</sup>.
2. The authority for applying the association's funds is found in the Constitution. Available funding must be used for the Objects of the Association only. It may not be applied, other than allowed by the Act or Regulation, for the benefit of its members (Pecuniary Gain)<sup>4</sup>.

## B. The Committee's Role in the Association's Finances<sup>5</sup>

1. The committee collectively, and individually, are responsible for administering and safeguarding assets, including, funds of the association.
2. The committee must ensure appropriate levels of Risk Management/Financial Internal Controls are in place to incur liability and to receive and disburse funds.  
Internal Controls are discussed in Sections E6-10. These controls will be set in discussion between the Treasurer and the committee and be subject of resolution by the committee where appropriate or otherwise recorded in the minutes e.g. tabling of procedures.  
**Note:** An Internal Control specifically dealt with in the Constitution<sup>6</sup> deals with the disbursement of the association's funds under the authority of two persons.
3. The committee should ensure timely and understandable reporting to allow it to gain a true and fair view of the association's finances.
4. The committee must ensure that when liabilities are incurred by the association, it believes on reasonable grounds that the association's debts and obligations can be met as and when they fall due. It is the duty of the Treasurer to provide the committee with information to fulfil this purpose.
5. The Treasurer's duties include the preparation of the annual budget of cash flows to ensure appropriate levels of income to match planned expenditure with a level of contingency.
6. At each regular meeting of the committee the Treasurer should present the Financial Statements and accompanying report in a form approved by the Committee.

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<sup>1</sup> Paragraphs 1-6 Constitution Template

<sup>2</sup> Paragraph 141 Constitution Template

<sup>3</sup> Paragraph 23 Constitution Template

<sup>4</sup> Sec.5 Act

<sup>5</sup> Summary position is also discussed Guide to Legal Duties of Committee Members

<sup>6</sup> Paragraph 145 Constitution Template

7. Included as part of the Treasurer's regular reporting to the committee should be an analysis of financial and cash flow reporting against the cash flow budget against month and year to date actual performance. The report should nominate any adverse trend requiring budget corrections.
8. If the committee is satisfied with the Financial Statements and all questions have been satisfactorily answered by the Treasurer, the committee should then resolve to receive and adopt the Financial Statements and the Treasurer's report.
9. The association's Financial Year is determined by the Constitution.<sup>7</sup> Annually, for the purpose of the Act<sup>8</sup>, the Treasurer should submit the Annual Financials and any report thereon to the Committee at their meeting immediately prior to the AGM, to enable the Committee to approve the Annual Financial Statements and any report thereon for the purposes of the AGM. The committee's resolution adopting the Financial Statements must express that those Financial Statements "provide" true *and fair view of the associations financial performance*<sup>9</sup> for the year.

### **C. Tier 1 & 2 Associations**

1. The Act<sup>10</sup> provides for Tier 1 and Tier 2 levels of Association – Refer Section E.13.
2. Tier 1 Associations have different accounting standards, refer Section E.13 and, unless exempted, are required to appoint an auditor.
3. Tier 2 Associations do not require an audit but associations, maybe of a larger membership, may require as a matter of good governance a "*limited scope audit review*" of their annual financial statements, with the committee negotiating terms and extent of that review by way of an engagement letter with the "*auditor*"

### **D. The Role and Duties of the Treasurer**

1. Treasurer's Role (Functions) is defined by the Constitution<sup>11</sup> and Regulation<sup>12</sup> and the associations own internal memoranda. The following is an extract from the Model Constitution, reproduced for its clarity in, describing the fundamentals of the role of the Treasurer.

*It is the duty of the treasurer to ensure:*

- a) *that all money due to the Association is collected and received and that all payments authorised by the Association are made, and*

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<sup>7</sup> Paragraph 156 Constitution Template

<sup>8</sup> Sec 43, 47(2)- "true and fair view" -(Tier 2) and 48 Act

<sup>9</sup> Sec 47(2) Regulation 10

<sup>10</sup> Part 5 Act

<sup>11</sup> Paragraph 65-72 Constitution Template

<sup>12</sup> Regulation 17

- b) *that correct books and accounts are kept showing the financial affairs of the Association, including full details of all receipts and expenditure connected with the activities of the Association.*
2. *The treasurer must open and maintain all such accounts in the name of the Association with such banks or other financial institutions as the Committee may from time to time direct.*
  3. *The treasurer must ensure that all the money received by the Association is deposited as soon as practicable and without deduction to the credit of the Association's account.*
  4. *On behalf of the Association, the treasurer must ensure that as soon as practicable after receiving any money, an appropriate receipt or other acknowledgement is issued.*
  5. *At each meeting of the Committee, the treasurer must present for ratification by the Committee a statement of all accounts paid since the date of the last meeting and must make interim financial reports to the Committee as necessary.*
  6. *The treasurer shall be responsible from time to time to ensure that all insurance policies determined by the Committee to be required by the Association are current and that all necessary premiums have been paid,*
  7. *The treasurer must prepare financial statements for consideration by the members at the annual general meeting.*
  8. *For the purposes of section 71 of the Act, the treasurer must present to the Committee, as soon as practicable following completion of the financial year, a statement of the Association's accounts in accordance with clause 7.*

#### **E. Record, Analysis & Report, and Advice.**

1. The role of the treasurer may be further categorised under the headings of Record, Analysis and Report, and Advise.

##### **Record**

2. Basis of Accounting – Determine what accounting method is best for your association be it Accruals or Cash.
3. Accruals basis match Income in the accounting period with expenditure of that same period.
4. On a Cash basis account for income as received and expenditure as paid in the same period.
5. In some circumstances a mix on both accounting methods may be used. It will be simpler to choose the one that best answers your association's circumstances. Smaller associations will find the "cash" basis more appropriate.

6. Risk Management- Financial Internal controls (“Internal Controls”). A series of measures should be instituted to assist in minimising fraud, maximising the protection of the association’s assets and controlling the incurring of liability. The Treasurer should determine the association’s Internal Controls in conjunction with the committee. These controls should be recorded in minutes, summarised as to procedures and detailed as to authorities given to committee members. Procedures should be documented and placed in the association’s permanent records.
7. Committees change and good procedures have a life longer than the committee and will result in assisting future administrations.
8. The association’s membership numbers / numbers constituting the committee will determine the appropriateness and level of controls that can be instituted.
9. Segregation of functions between committee members and those assisting in administrative functions, so that one person is not in control of all of one process, is part of the exercise of good Internal Controls
10. Examples of Internal Controls are:

TASK	REQUIREMENTS
Operation on Association’s Bank Account	Constitution requires the signature/authorisation of two persons  Consider/ Action <ul style="list-style-type: none"> <li>• Limiting the authority of the signatories to a \$ amount without committee approval</li> <li>• Authorising different levels of authority to operate on the bank account for members of the committee</li> <li>• Ensure a process where those authorising a payment see and sign off on supporting documentation for the payment they are authorising.</li> <li>• Ensure the security of passwords</li> <li>• Regularly reconcile the associations banking accounts.</li> </ul>
Membership and Course Fees	Establish the means by which income is verifiable back to the Membership Register and course enrolment data. Segregate the duties between members enrolments and banking/treasury function.  Payment Authorisation
Payment Authorisation	Require invoices, vouchers, orders etc to support payments and ensure person who

	committed the liability had the authority to incur that liability
Petty Cash	Establish a float and regularly balance Disbursement to be made against evidence of the payment. Limit amount to be reimbursed by way of petty cash. Amounts in excess to be reimbursed as a bank payment.
Membership	Segregation of duties between member enrolments/renewals, and membership register.

11. Records may be written or electronic form, but must be kept for 5 years, and be capable of conversion into hard form within a reasonable period<sup>13</sup>.

12. Financial records<sup>14</sup> comprise:

- a) invoices, receipts, orders for the payment of money, bills of exchange, cheques;
- b) documents of prime entry; and promissory notes and vouchers; and
- c) working papers and other documents needed to explain
  - i. The methods by which the financial statements are made up, and
  - ii. Adjustments to be made in preparing the financial statements.

13. Associations are defined under the Act<sup>15</sup> and in the Regulations<sup>16</sup> as Tier 1 or Tier 2.

The following Table provides a guide as to Tier 1 & 2 Associations and a contrast to differing requirements and standards.

	Tier 1	Tier 2
Qualification-gross receipts and current assets	Exceed gross receipts of \$250,000 and current assets exceed \$500,000 <sup>17</sup>	Levels of gross receipts and current assets falling below that of a Tier 1 association <sup>18</sup>
Financial Statements	Must be prepared as soon as practical after the	Must be prepared as soon as practical after the

<sup>13</sup> Sec. 50 Act Reg. Part4-14

<sup>14</sup> Corporations Act 2001 Part2 Interpretation, Division 1 General

<sup>15</sup> Part 5 Act

<sup>16</sup> Regulation 9&10

<sup>17</sup> Sec. 42 Act Regulation 8

<sup>18</sup> Sec 46 Act

	<p>end of the year and must include details of any mortgages or charges over the assets of the associations and financial statements for any entity the association acts as trustee <sup>19</sup></p> <p>Prepared in Accordance of Australian Accounting Standards<sup>20</sup> and the Regulations <sup>21</sup></p>	<p>end of the year including any entity that the association acts as trustee <sup>22</sup></p> <p>Financial Statements comprise individual sources of Income and detailed Expenditure incurred in the association's operations and a statement of assets and liabilities. Together with details of mortgages, charges or securities over the association's assets. Similarly, financial statements and disclosure of mortgages, charges or security are required for any entity the association acts as trustee <sup>23</sup></p>
Audit	<p>Must cause Financial Statements to be audited <sup>24</sup></p> <p>Auditors report to include compliance with Australian Auditing Standards and Financial records are maintained in accordance with</p>	

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<sup>19</sup> Sec. 43 Act

<sup>20</sup> Sec. 43(2) Act

<sup>21</sup> Regulation 9

<sup>22</sup> Sec. 47 Act

<sup>23</sup> Regulation 10

<sup>24</sup> Sec. 43(1)(b) Act

	Australian Accounting Standards <sup>25</sup>	
Submission to AGM	Financial Statements and Auditors report <sup>26</sup>	Financial Statements <sup>27</sup>
Lodgement of Documents.	<p>Within 1 month of AGM or 7 months after the end of the financial year the Public Officer shall lodge</p> <ul style="list-style-type: none"> <li>• Summary of the association's financial affairs</li> <li>• Financial Statements</li> <li>• Auditors Report</li> <li>• Document dealing with any resolution passed at the AGM dealing with the Financial statements and auditors report.</li> </ul>	<p>Within 1 month of AGM or 7 months after the end of the financial year the Public Officer shall lodge</p> <ul style="list-style-type: none"> <li>• Summary of the association's financial affairs</li> </ul>

14. If appropriate the Treasurer should attend compliance with ATO registration obligations.
15. Prepare an Accounting Procedures Manual. This process may be initiated by the collation of your association's individual statement on accounting procedures and built up over a period.
16. The Treasurer must maintain the association's financial records so that they ensure and/ or reflect:
- a) Timely records are maintained and updated regularly;
  - b) Documents supporting transactions are retained and maintained in good order to allow verification of the transaction/audit;

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<sup>25</sup> Sec. 43 (3)(a) &(b) Act

<sup>26</sup> Sec 44 (a) & (b) Act

<sup>27</sup> Sec. 48 Act

- c) Maintain appropriate schedules/ registers to support and verify balance sheet items. Reconcile income and expense items, where appropriate with supporting registers or other data. These items should form [part of the treasurer's working papers supporting his reporting. And an essential part of the audit trail allowing inspection and examination of the association's finances.

17. The Treasurer should consider maintaining an asset register in a form that will allow reconciliation as to value with asset values in the balance sheet. The Treasurer should at least annually verify physical existence with the asset register. Asset Register should detail:

- Description of Asset
- Date of Acquisition
- Purchase Price
- Depreciation and/or write down in value
- Date of Sale/ item scrapped
- Disposal price

### **Report and Analysis**

18. Incorporated associations who are also registered with the Australian Charities and Not-For Profits Commission (ACNC) will be mainly exempt from lodging their financial statements with NSW Fair Trading but will lodge these statements with ACNC. This paper does not deal with the specific requirements and roles of treasurers with ACNC.
19. It is critical that the Treasurer takes account that committee members may not have the background or skills to understand financial reporting. Ensure the form of reporting addresses any lack of comprehension.
20. The Treasurer should prepare a budget for the financial year. In most cases this will be a cash flow budget. The genesis of the budget lies with the association's future planning "Strategic Plan" as formulated by the associations committee. From the Strategic Plan cash flow budgeting and modelling will be the outcome.
21. Considerations in preparing the budget:
- a) Last year's budget and cash flow performance may be a good guide but has pitfalls such as duplicating errors and accepting erroneous assumptions.
  - b) An alternative is Zero base budgeting, building the budget from first assumptions, i.e. "ground up". This basis of budgeting is often a way of identifying budget savings and, more likely, achieves greater accuracy.
  - c) Prepare schedules to identify, explain and substantiate budget items.
  - d) Recommendation of the level of membership fees is the likely outcome.
22. Submit the budget to the association's committee for consideration and approval.

23. At each regular meeting of the committee, the association's financial statements should be considered. The Treasurer should provide.
- a) Financial Statements and any report should be circulated in advance of the meeting to allow adequate time for review by the committee.
  - b) Financial statements for the current month, or months since the previous meeting, and actual performance on a year to date basis.
  - c) The statements should include a comparison to budget for the month, year to date, noting variations to budget.
  - d) Commentary on Financial performance and any budget variation/ detail reason.
  - e) Cash Flow budget should be projected to the end of the financial year to enable any remedial action to the cash flow budget identified.
  - f) Seek a resolution that the financial statements be received and adopted.
24. Annually
- a) If it is the practice, or contained in the constitution, of your association prepare annual budget for presentation to the AGM. This may be used as a means of substantiating an increase in funding e.g. membership fees.
  - b) Financial Statements should be prepared for the AGM in accordance with the association's identification with the Tier structure as discussed in Section E-13.
  - c) The financial statements prior to being published with the Notice of the AGM should be circulated to and tabled at an association committee meeting for adoption by the meeting. The resolution receiving and adopting the financial statements should be extended to the committee expressing that the financial statements represent "a true and fair view" of the association's financial affairs (Tier 2 association.).
  - d) Cause the lodgement of documents, see Section E.13, with NSW Fair Trading in the form appropriate for Tier 1 or Tier 2 associations.

#### **Advise**

25. Treasurer's prime role is to guide the association's committee in ensuring decisions providing investment and financial advice. Most U3A's derive most of their income from one source, membership, and at a relatively fixed time of the year. Budgetary and forecasting of cash flow should be a focussed priority.
26. Treasurer's Role extends to ensuring the adequacy of the association's insurance cover. Typically, UA3's may have cover for Equipment, Public Liability, Professional Indemnity **and** Volunteers Accident. Circumstances will dictate situations where other forms of insurance cover should be considered.
27. In addition to ensuring the adequacy of Insurance Cover the Treasurer should monitor the currency and effectiveness of Risk Management- Physical Risk Policies used in concert with insurance cover.

**NB It is restated that the foregoing provides guidance and does not constitute advice. It should be read in conjunction with all resources quoted. For further emphasis refer to the Disclaimer on Page 1**

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