



GOVERNANCE FOR GOOD

The ACNC's guide for
charity board members



Australian Government



Australian
Charities and
Not-for-profits
Commission

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Introduction from the Commissioner



Charities are an essential part of the fabric of Australian society and reach into every community across Australia, as well as beyond our shores.

They enrich our culture, protect our environment, educate our children, enable us to practice our faith, promote our health and wellbeing, strengthen our democracy, contribute to good public policy and advocate on behalf of individuals and communities.

Charities can do none of this without their board members. These members have the ultimate responsibility for running the charity, its property, finances and the employment of its staff and volunteers. Being a board member can be incredibly hard work and is normally unpaid, but it can also be immensely rewarding.

Remember that you are not on your own. We hope this guide will provide you with some helpful information, but if you need more help our ACNC staff are committed to helping support you and your charity in its important work.

Good wishes

Susan Pascoe, AM



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Who is this guide for?

This guide is for people who are, or are thinking of becoming, board members of a charity registered with the Australian Charities and Not-for-profits Commission (ACNC).

We have used the term 'board members' to mean members of the governing body of a charity. In your organisation they may be called the directors of the board of directors, members of the management committee, the governors or the trustees. It is the people with overall responsibility for governing the charity and overseeing and controlling its management.

! Whether you're taking up the responsibilities of a board member for the first time or you're an experienced board member looking for a refresher, there's always something you can do to improve your knowledge and the governance of your charity.

This guide explains the responsibilities of board members of charities. In particular, it focuses on the new framework introduced by the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and how the ACNC can support you and your charity. The ACNC Act refers to those responsible for directing a charity as 'responsible entities'.

Why should I read this?

Being a board member of a charity can be a very positive experience. It can give you the opportunity to make a real difference in your community – but it also brings with it responsibilities. For you and your charity to succeed you should be aware of your responsibilities and your role in helping your charity achieve its goals.

The focus of the ACNC is to support charities to meet the core minimum governance requirements as required by the [governance standards](#) under the ACNC Act. However, the ACNC is also interested in supporting good governance within charities beyond these standards. As part of this, we will work with the sector to produce guidance on good governance practices to support charities and their board members. Where appropriate, we will differentiate between this kind of guidance and information on the legal obligations of registered charities. This guide focuses on good governance and the role of governance in charities in the context of their obligations under the ACNC Act.

The Australian Government intends to introduce governance and external conduct standards that will apply to registered charities from 1 July 2013. This guide will be revised after these standards are released.

[Read more about the introduction of governance and external conduct standards.](#)

Governance

What is governance?

Put at its simplest, governance is the processes, activities and relationships that make sure your organisation is effectively and properly run.

So, good governance is when charities have practices and procedures in place that help them to deliver their work effectively and transparently and when the roles and responsibilities of people in the charity are clearly understood. This includes the particular roles of board members and the roles of staff, volunteers and members. Of course, good governance is more than the rules of your charity and the individual behaviours of board members. Good governance involves strong relationships between the members of your governing body and stakeholders and is much more about working as a collective than individual responsibilities.

Why is governance important?

Good governance helps make sure that the day-to-day work of a charity aligns with its purpose. It is important that board members ask why are we here, what are we doing and how will we do it? Asking these questions (and trying to answer them) helps charities to stay true to their vision and mission.

What are charities?

The word 'charity' means different things to different people. People commonly understand charities to be organisations that exist to help others. Whether it's providing accommodation to those in need or teaching English to newly arrived migrants, charities are at the heart of the effort to make our communities safer, fairer and more vibrant places to live.

There is, however, a particular legal definition of charity. This has been developed through common law (which is judge-made law) – they must be a not-for-profit, have a charitable purpose and, be for the public benefit. Charities have to meet this particular legal test and the requirements of the ACNC Act before they can be registered with the ACNC.

What are registered charities?

Charities that are registered with the ACNC are called registered charities. There are a number of different 'types' of charities such as public benevolent institutions and health promotion charities.

In this guide, we use the term 'charity' to refer to all types of registered charities.

Charities may also be registered with other government agencies such as state and territory regulators or accreditation bodies, but here we are referring to charities registered with the ACNC.

➤ For more information, read our [fact sheet on who can register with the ACNC](#).

Role of the ACNC

The ACNC is the independent national regulator of charities. The ACNC:

- registers organisations as charities
- helps charities understand and meet their obligations through information, guidance, advice and other support
- maintains a free and searchable public register so that anyone can look up information about registered charities
- is working with state and territory governments (as well as individual federal, state and territory government departments and agencies) to develop a 'report-once, use-often' reporting framework for charities.

The ACNC will also be responsible for ensuring that charities comply with their obligations under the ACNC Act and regulations made under it, including enforcing governance and external conduct standards for charities when they commence.

Your board

The governing body of a charity is the group of individuals who share responsibility for the governance of a charity. For the purpose of this guide we refer to the governing body as the ‘board’ and those on it as ‘board members.’

! The board members should help your charity to stay focussed on its objectives, manage its finances effectively and comply with the legal, operational and ethical requirements of your charity.

Charities come in many different shapes and sizes and so do their boards. Although boards are made up of a group of individuals, they only have the power to bind the charity as a group, not as individual members – so it is the board as a group that can make decisions, not individuals on their own. It’s a team sport! Boards share ultimate responsibility for overseeing the work of charities and must make sure that a charity remains true to its charitable purpose.

Role of the board

The board is responsible for providing leadership and strategy to a charity. It also bears ultimate legal responsibility.

Generally, boards delegate some of their responsibilities to staff or volunteers. However, there are some things that are usually reserved for the board such as appointing a chief executive officer (if the charity has one), adopting a strategic plan, overseeing the management of organisational risks and calling meetings of the members.

Every charity is different and so are their boards. However, there are some responsibilities that are common to most boards:

- **accountability** – making sure your charity meets its obligations, manages its finances and operates transparently
- **strategy** – setting the charity’s long-term goals and making sure it pursues its charitable purposes
- **resourcing** – securing funding and other resources to support the work of the charity
- **advocacy** – representing the charity to the community and to its members and stakeholders (with a chief executive officer and staff, if any)
- **monitoring** – making sure the charity is run as required under its governing documents and the law.

Committees of boards

Because a board’s time is often very limited, your board may decide to create committees of the board to look more deeply into some issues (sometimes called sub-committees, standing committees or ad hoc committees). For example, you may appoint a finance committee to look closely at your charity’s finances and to ensure that adequate information is provided to the board for their decision-making.

Committees can be either ongoing or project-specific. For example, a committee might be established to recruit and induct new board members or to oversee a particular project (such as building works) and will only operate for a limited period of time. Committees may make recommendations to the board, but they generally do not make decisions on behalf of the board.

Your charity may have governing rules (see the section in this guide on ‘your governing rules’) around how to establish committees, what they can be used for and who can be a member. Make sure you check your rules before establishing a committee.

People on your board

Role of board members

Board members are the people who are either elected or appointed to be a member of a charity's board. These people are sometimes also called committee members, trustees, governors or directors and can be elected or appointed by nomination (for example, under legislation or under a trust deed). Board members do not generally have any authority as individuals, but must act as part of a group to fulfil the role of a board.

! If you are on the board of a registered charity, you will be considered to be a 'responsible entity' under the ACNC Act.

Your charity has an [obligation to notify the ACNC](#) if there are any changes (appointment, removal or resignation) to your charity's responsible entities.

Officers of the board

Although boards act as a group, some board members take on extra board responsibilities. For example, most boards will appoint a chair, who will be responsible for running meetings and providing leadership to the board.

Some boards appoint a treasurer who is responsible for overseeing a charity's finances in more detail to make sure that the board has the information it needs to make decisions about its charity's finances. But don't forget – all board members share responsibility for a charity's finances, not just the treasurer.

Some boards will have a secretary who is responsible for managing the affairs of the board. The secretary usually takes and distributes minutes of board meetings and assists in organising the business of the board. For example, putting together agendas and notifying any regulator of changes to board membership.

People assisting the board

Not everyone who attends a board meeting is a member of the board.

If your charity has a CEO, it is likely they will attend board meetings. Your CEO may or may not be a member of the board, although generally they will not be and therefore will not have a vote.

Some charities will have a secretary who is responsible for making sure that a charity meets its governance obligations and works to support the board. Your secretary may or may not be a member of the board.

Other staff, volunteers, consultants or your charity's auditor (if any) may attend board meetings if they are invited – perhaps to discuss a particular issue that involves them.

Eligibility requirements for being a board member

The eligibility requirements for being board members are different for every charity. To find out who is eligible to be a board member of your charity, check your charity's governing rules and any legislation that applies to your charity. For example, you cannot be a board member of a charity that is a company registered with the Australian Securities and Investments Commission (ASIC) if you have been disqualified from directing companies by ASIC.

If your board is looking to appoint new members, you might find our quick tips on [choosing a new board member](#) useful.



Common questions for board members



Can board members resign?

Yes. Board members can resign at any time. Check your governing rules to find out whether there are any steps you need to take – you may need to notify your chair or secretary in writing and the charity should notify the ACNC and any other relevant government agencies.

Consider what impact your resignation will have on the charity before choosing to resign. Ideally, look at giving a period of notice. If you are also an employee of the charity you will need to check your employment contract to see whether there is anything about how to resign as a board member. Sometimes if you resign as a staff member you will also cease to be a board member.



Can board members be paid?

Generally, board members can be paid if the payment advances the charity's charitable purpose and the payments are clearly authorised (such as by a meeting of the members). Check your rules to confirm whether there are any rules around paying your board members. If your charity is a trust, your trustees (directors) cannot be paid unless the trust deed specifically sets out that they are to be paid. Charities that are companies registered with ASIC that omit the word 'limited' from their company name must not pay their board members fees.

Payment of reasonable expenses is different to payment for services. Board members can be reimbursed (paid back) for reasonable expenses they paid while carrying out their duties. Check the fundraising regulation in your state or territory of operation as there may be rules about the payment of board members if you are fundraising.



Can board members be personally liable as a board member?

If you are complying with your duties as a board member, in many cases you will not be personally liable as a board member. However, this depends on the particular action and the type of charity you are. For example, board members may be personally liable for legal action taken against an unincorporated charity or for criminal or serious misconduct.

Under the ACNC Act, board members of registered charities that are incorporated may be personally liable for deliberate actions or omissions that breach the ACNC Act if they have acted dishonestly, with gross negligence or are reckless.

The ACNC Act treats the board members of registered charities that are unincorporated associations and trusts differently.

For unincorporated associations, the obligations and liabilities under the ACNC Act are imposed on each individual who is a director at the time.

For trusts, the obligations and liabilities under the ACNC Act are imposed on the trustees. If the trustee is a body corporate (an incorporated organisation) then the obligation and liabilities are imposed on the individuals who were the directors of the company at the time.



Can board members be employees of their charity?

Your charity may have rules that set out whether members of the board can also be employees of the charity. If your charity's rules do not prohibit this, your board members can also be employees of the charity. However, be aware that this can give rise to conflicts of interest that must be managed correctly. Consider reading our [quick tips on conflicts of interest](#).



How long does an appointment last?

The terms of appointment for board members vary between charities but will generally be set out in your charity's rules. For example, some charities will have three year terms with one third of your board retiring and being appointed every year. There's no one size fits all solutions, so look for a model that works for your charity.



Can a board member tell a staff or volunteer member what to do?

No. If your charity has staff or volunteers, individual board members cannot direct their work unless the board member has been given authority to do so (such as by a decision of the board or if they are a more senior employee of the charity and are directing them as part of their role as a senior employee). Generally, the board can only direct the CEO as a collective, but individual members can be authorised by the board to do so.

It is important to be clear about the roles of staff members, volunteers and board members. Everyone should understand what their role is and how it fits with others within a charity. This can help to avoid misunderstandings that can lead to disputes. Read our [quick tips on internal disputes](#) to find out more.



Can boards delegate their responsibilities?

Some responsibilities of boards may be delegated (formally handed over) to others, although this depends on your charity's rules and any legislation that applies to your charity. Remember, even if some responsibilities can be delegated, the board still bears ultimate

legal responsibility for any decisions made. In charities with paid staff, most boards will delegate responsibilities to a chief executive officer (CEO). In others, the delegation can be to a particular volunteer or sub-committee of volunteers. Whatever the case, it is important to set out in writing what the delegation is, especially if it is delegating the powers of the board.



Can a member tell a board member what to do?

In most cases, no. Board members are independent and generally cannot be directed by any general member of a charity.



Can a board member be removed?

Your charity may have rules that set out if a board member can be removed before the end of their term of appointment and how. Some rules allow for a board member to be removed by a majority vote at a meeting of the members.

Rules will often set out certain situations where a board member automatically stops being a board member, for example, if the board member fails to attend a certain number of meetings throughout the year or becomes bankrupt.

The ACNC Act also gives the ACNC power in certain serious and specific situations to suspend or remove board members of a registered charity and also to appoint an 'acting responsible entity' to act in the place of the removed board members. We will generally only take this step in very exceptional circumstances in line with our [regulatory approach](#).

Your governing documents

Your governing documents (or 'rules') set out many of the powers, objects and processes by which your charity is run. They help you make sure your charity is run well and on track.

All organisations have rules. Whether they are written in a formal document such as a constitution or are simply verbal agreements between members, rules should be part of every organisation's life. When written, these rules are sometimes called a constitution, charter, articles, rules or rulebooks. In this guide, we call them 'rules'.

Your rules might be kept in more than one document. For example, your charity might have a constitution that sets out how your charity will be run and a mission statement that sets out its purpose. Religious organisations may also have a religious doctrine or canon law that sets out how they are to be run.

Why are rules important?

Rules are important because they help give some certainty about how your charity is run and set out procedures that everyone involved with your charity can rely on. Rules bind you (as a board member), the charity and its members.

The ACNC will look at your charity's rules as part of the evidence of your charitable purposes to ensure that it is entitled to registration with the ACNC. The rules of registered charities will be available on the ACNC Register in the future.

Your charity's rules will generally set out:

- that your charity is a not-for-profit
- its charitable purpose
- the powers the board has to run the charity
- how to become a member and the rights and obligations of members
- how members of the board (and any office bearers such as a president or treasurer) are elected or appointed

- how meetings of members and meetings of the board are called and held
- how authority is delegated to the board, staff or volunteers
- what will happen if the charity needs to be 'wound up' (closed down).

It is important that your rules accurately reflect how your charity operates. If your rules are not followed, you will not be able to rely on them if there is uncertainty, which is when you need them most.

> If you become a board member, make sure you:

1. Ask for a copy of your charity's current rules.
2. Read them, and ask questions if you do not understand them.
3. Refer to them and make sure you follow them or, if appropriate, follow the correct process to change them.

Showing that your charity is a not-for-profit

In order for your organisation to be considered a charity, it must be a not-for-profit.

Generally, your organisation is a not-for-profit if it does not operate for the profit, personal gain or other benefit of particular people, such as its members, the people who run it or their friends or relatives – this gain or benefit is sometimes called 'private benefit'. This applies both while the organisation is operating and if it winds up.

Your rules are a good place to show that your organisation is a not-for-profit. They will contain clauses that prevent it from providing private benefit to its members. Find out more about [the meaning of not-for-profit and how to show that your organisation is a not-for-profit](#).

What is public benefit?

Charities must be for the 'public benefit'. This means that they must benefit the general community or a sufficient section of the community.

For example, an organisation will not be a charity if it exists only to make money for the members of its board – this is a private benefit. Private benefit does not just have to be money – it could be a service or goods or anything else the charity provides. The people who are involved with a charity, such as its staff or volunteers, can benefit from the work of the charity (for example, the board members of a self-help group can still benefit from involvement with the charity) but the purpose of the charity must be to benefit the public or a sufficient section of the public, not any specific individual. Specific individuals may only benefit from the charity where this benefit is in line with the charity's charitable purpose.

Showing that your charity has a charitable purpose

All charities must have a charitable purpose. Your purpose is the reason your organisation has been set up, or what your activities work towards achieving. Some people also refer to this as your organisation's mission.

'Charitable purpose' has a special legal meaning, developed over years by courts and parliament. Your rules should show that your organisation has a charitable purpose. This is important when applying to the ACNC to register as a charity to show that your organisation is eligible to be a registered charity and is therefore entitled to certain Commonwealth charity tax concessions, exemptions and other benefits. Find out more about [the meaning of 'charitable purpose'](#).

Adopting or changing your rules

If you are drafting your first set of rules, or introducing new rules, your charity will need to formally adopt them. You may have existing rules that set out how this must be done, or, if your charity is incorporated, the legislation that applies to your charity may set out requirements for how to adopt new rules. If your charity is a company limited by guarantee then the Corporations Act applies. If it is an incorporated association then the legislation of the state or territory it is registered in will apply. Make sure you are familiar with these requirements before you start making any changes.

When you apply for registration, you must provide a copy of your charity's rules to the ACNC.

Charities that were automatically registered with the ACNC will be asked to submit a copy of their current rules so these can be published on the ACNC Register.

While it is important that you always follow your charity's rules, these must be suited to your charity – sometimes you may need to make changes to your rules.

You need to notify the ACNC if you make any changes to your rules. Read more about [notifying the ACNC of changes to your charity](#).

Your duties and responsibilities

As a member of a board, you have duties and responsibilities to your charity. Even though most board members of charities are volunteers, you still have legal duties that you must meet to ensure that your charity is well-governed.

As a board member, you have an important responsibility to your charity that requires you to put the interests of the charity ahead of your own personal interests. The specific duties vary depending on your charity's legal structure. Generally, you need to be careful and conscientious in your role and act with common sense and integrity.

There are generally considered to be four main duties of board members:

1. To act in the best interest of your charity and for a proper purpose

When acting as a board member you must make decisions that are in the best interest of your charity and to further its charitable purpose.

If you are on the board as a representative or nominee of another organisation, you will generally have to make decisions that are in the best interest of the charity (rather than, for example, the organisation that nominated you).

? **Ask yourself** - is this decision in the best interest of my charity and does it further its charitable purpose?

2. To act with reasonable care and diligence

As a board member, show a standard of care and diligence that a reasonable person would use if they were in your place. In practice, do your best to participate. Before the meeting, read and try to understand any materials you have been given about topics the board will be considering. Try to turn up to meetings on time. If you are unable to attend a meeting, give reasonable notice and try to catch up afterwards.

If you have any questions about any of your board's business, always ask the other board members or staff and make sure to leave time for thinking about your decision. If you do not feel comfortable making a decision on something, it may be worth asking for more time. You should feel confident to independently make decisions and not just follow the crowd. Sometimes, you should request that your separate view be recorded in the minutes.

One part of your duty of care is to make sure that your charity can pay its debts when they are due. This is called being solvent. If your charity is unable to do this then it will be insolvent. This responsibility to keep your charity solvent is often clearly set out in relevant legislation (depending on its legal structure and your state or territory) and most lawyers agree that this requirement is also implied as part of this duty to act with care and diligence, for all charities.

? **Ask yourself** - would someone who was observing me think that I was being careful and conscientious in my duties? Can my charity pay its bills?

3. Not to improperly use information or position

Sometimes as a board member you will come across information that could be used for your personal or other interests. Any special knowledge that you gain as a board member must only be used for the benefit of the charity and never to further personal or other interests.

For example, you might learn about the details of a tendering process or the private details of staff or clients. Keeping this information private is one of your responsibilities as a board member and this information must not be used except in the interests of your charity.

? **Ask yourself** - am I using my position as a board member, or information I have received in this position, for the benefit of my charity? Or am I using it for my own interests or the interests of my family or others I have a relationship with?

4. To disclose and manage conflicts of interest

Conflicts of interest occur when your duty to act in the best interests of your charity is in conflict with (or may conflict) with the opportunity or potential to get a personal benefit (or a benefit for a person or organisation you have a relationship with).

If you have a conflict of interest (or perceived conflict), inform your board as soon as possible. Generally, it is best (and often required by your rules or any legislation that applies to your charity) not to take part in any discussion or decision-making where you have a conflict of interest.

Conflicts of interest are common and do not have to be a serious problem. However, if a conflict of interest is not managed properly, it may damage your charity's reputation and, in serious cases, even break the law. Perception is critical – even if there is no actual conflict of interest.

For more information, consider reading our [quick tips on managing conflicts of interest](#).

? **Ask yourself** - would an independent observer be sure that I was acting in the best interests of my charity? Or might they think I was acting in my own interest?



Governing your charity

The most important part of your work in a charity is actually doing what your charity was established to do. However, as a board member you must make sure that not only is your charity doing good work but it is also properly governed.

Meetings

Often, to get the work of your charity done, your board will need to hold meetings. Some can be informal (such as over the phone or around your kitchen table), while others must follow certain requirements. Your rules or the legislation that applies to your charity may set out:

- how many meetings must be held and when (such as your annual general meeting)
- who needs to be at the meetings (there may be a quorum requirement, where a certain number of people must be present for the meeting to be valid)
- whether minutes need to be taken, how they are to be kept and who can read them
- who can vote on matters and how voting is to happen.

Be familiar with any requirements your charity may have for holding meetings, and be clear about what kind of meeting you may hold. For example, how you run the meeting and the responsibilities of the people attending will be different if it is a board meeting, compared with a meeting of your members (even if the board and the members are the same people).

You may like to read our [quick tips on holding annual general meetings](#).

Records

Keeping records allows you to have an accurate account of your charity's important information. You should consider what kind of information it is important for your organisation to keep and also whether there are any privacy or any other legal considerations for the sorts of records you keep. For example, you might keep records on:

- your financial statements such as bank statements, and receipts to show any money coming in or going out (including any payments or donations, funding contracts or receipts)
- meetings held by the charity (particularly meetings of your board and annual general meetings)
- your charity's activities (such as annual reports or other documents that allow you to show what kind of activity your charity has been undertaking).

Registered charities are required to keep records under the ACNC Act, usually for seven years. In particular they must keep records that correctly record:

- (and explain) its transactions, financial position and performance and enable true and fair financial statements to be prepared and audited (if needed), and
- its operations.

People involved

The people involved with your charity are at the heart of what it does – whether they are paid or volunteer members of staff, it is important to consider how you manage their involvement.

Having staff is an important responsibility. Make sure that they have a safe workplace and that their conditions are lawful, fair, and clear to both the staff and the board. There are resources available that can help you. For more guidance that may be useful for your charity, visit agencies such as:

- [Safe Work Australia](#) – health and safety laws and staff
- [The Fair Work Ombudsman](#) and the [Australian Human Rights Commission](#) – employment and equal opportunity
- the [Australian Taxation Office \(ATO\)](#) – employees and taxation.

Make sure your charity is clear about who is a board member, a staff member, a volunteer or a contractor to your charity – your responsibilities to each person will depend on what their status is in the organisation.

In smaller charities, sometimes these roles will be less clear and often the roles of volunteers, board members and staff will overlap. While the people may be the same, the roles are different and so are their responsibilities.

Some charities will choose to use ‘contractors’ who are paid by the charity but who are not ongoing employees. Be familiar with the specific tax conditions for having contractors, before your charity uses one. The ATO provides guidance on [contractors and tax](#) that may be useful to your charity.

Volunteers are a precious resource to charities and it is important that you make sure that your volunteers are supported, safe and valued. Volunteers require training and support, so consider forming a strategy on how your charity will recruit, train and supervise its volunteers. The ATO provides guidance on [volunteers and tax](#) that may be useful to your charity.

PilchConnect provides a useful [guide that explains the difference between employees, contractors and volunteers \(167kb\)](#).



➤ Remember, everyone on your governing body shares the responsibility to make sure your organisation’s finances are well-managed.

Even if you have a treasurer on the board it is important that all the other board members also take their financial obligations seriously. All board members should feel comfortable to ask questions on financial matters and to be able to understand the charity’s financial statements.

Overseeing your charity's finances

A key responsibility for your board is to make sure your charity has the resources it needs to carry out its work, meet its debts and achieve its purpose.

Raising money

There are a number of ways your charity can raise money. Charities commonly raise money through membership fees, seeking donations from the public, government funding and/or holding events.

However your charity raises money, it is important that you understand the obligations that come with receiving money. You may have to comply with [fundraising regulation in your state or territory](#), meet certain obligations under a government funding contract or comply with your obligations as a trader. The ACNC does not regulate fundraising. It is important to consider these obligations before you start raising money.

Financial controls

Keeping an eye on your charity's finances is crucial to ensuring your charity has access to the resources it needs. Regularly review your financial position and your charity's ability to pay for its upcoming expenses. Ensure that your processes for money-handling are safe and secure to protect against fraud and financial crime. It can be hard to believe, but theft does happen in charities – it is uncommon, but simple steps can help prevent problems.

Some boards will appoint a finance committee to look into your charity's finances more deeply. This committee usually reviews financial reports to the board in greater detail and provides advice to the board on the organisation's financial position. Your financial information should be presented in a clear way that can be understood by the members of your board and anyone else who has to deal with it.

Consider whether your charity needs to (by law) appoint an auditor.

For more information, read our [quick tips on basic financial controls](#).

When things go wrong

When facing financial trouble, there are steps you can take to manage it and to reduce the risk of it happening again.

If you are familiar with your charity's finances (how much money you have, where it comes from and what it is being spent on) this will allow you to respond to any trouble quickly and effectively. Acting early gives you more options and could help you prevent your charity from closing down.

! Your charity may have other obligations to manage its finances or make financial reports to other government agencies.

More resources

Make sure you are familiar with your ongoing obligations (including financial reporting) to the ACNC, and also to other government agencies or under grant agreements. You can take a look at our:

- [list of other regulators](#), and the obligations your charity may have to them
- [state and territory factsheets](#)
- [guidance on financial and other reporting to the ACNC](#)
- [quick tips on basic financial controls](#)

Your obligations to the ACNC

If your charity is registered with the ACNC, it has obligations it must meet to maintain its registration.

The obligations of registered charities can be grouped into obligations to notify us of certain changes, keep records and to report to us each year. Your charity does not have to pay a fee to the ACNC for meeting any of its ACNC obligations as long as it meets these within the required time period.

Your charity may have to pay a penalty if it doesn't meet its obligations on time. Your charity must also ensure that it continues to meet the requirements for registration, including complying with the governance and external conduct standards and pursuing its charitable purpose.

! Unless we tell you otherwise, your obligations to the ACNC are in addition to any obligations your registered charity may have to any other government agencies. The ACNC is working to reduce the duplication of obligations, such as reporting to other government agencies.

Role of other regulators

Charities must meet a range of legal requirements imposed by government agencies at local, state and territory, and Commonwealth levels. Sometimes this regulation is specific to charities, sometimes it will apply to charities and other not-for-profits (such as fundraising and legal structure) and sometimes it will apply to charities and business (such as work health and safety regulation). Often there will be different requirements depending on the type of activities the charity does (such as working with children or providing aged care services).

Read our list of other regulators that may affect charities, or our factsheets on the state and territory regulation of charities.

Notify

If your charity changes its legal name, address for service, board members or governing rules you must notify the ACNC. This is important to keep your entry on the ACNC Register up-to-date – otherwise people who are searching for your charity may think it has closed down.

You must also let us know if you think your charity isn't meeting its obligations and isn't entitled to be registered with the ACNC. For example, if your charity's purposes are no longer charitable, you must notify the ACNC.

Find out more about [notifying the ACNC of changes to your charity](#).

Keep records

Registered charities need to keep both financial and operational records. There is no requirement that you use a particular system, process or format for keeping records. They must be readily accessible and made available to the ACNC upon request. Records must usually be kept for seven years.

Financial records are documents that allow you to explain your charity's financial transactions, position and performance and allow financial reports to be prepared and audited (if required).

Operational records are any other documents about your charity's activities (operations). These may include meeting minutes, reports, and written details of your charity's activities, programs or services. Most charities have this information and summarise it in an annual report to members. You need to keep records that allow the ACNC to assess whether your charity remains entitled to its registration and that it is complying with its obligations to the ACNC. Records must also allow the Australian Taxation Office (ATO) to decide whether your charity is complying with any relevant taxation laws.

Find out more about [record-keeping obligations to the ACNC](#).

Report

Registered charities must report each year to the ACNC.

The reporting requirements vary depending on the size of the charity. Small charities do not need to provide as much information as medium or large charities, which will usually need to provide financial reports.

Reporting obligations will be introduced in two phases, from 1 July 2013 and, generally, reporting to the ACNC is additional to other reporting requirements your charity may have.

Find out more about [providing reports to the ACNC](#).

Governance and external conduct standards

The government intends to introduce governance and external conduct standards that are expected to apply from 1 July 2013. Find out more about [governance and external conduct standards](#). Once those standards come in your registered charity will need to comply with these too. This guide will be updated to include information about the standards once they commence.

! Basic religious charities are exempt from providing annual financial reports and complying with the ACNC governance standards

(expected to apply from 1 July 2013). Find out more about [basic religious charities](#).



Your charity changes or if things go wrong

Sometimes things change – what you thought when you started out might not be what works best for your charity and sometimes things don't go exactly as planned. Be aware of potential risks to your charity and have a plan in place to handle them.

Internal disputes

Internal disputes need to be taken seriously, but there are steps you can take to resolve them. Internal disputes involve disagreements between groups or individuals within a charity. For example, if a member of staff disputes a decision taken by the charity's board about how the charity is run. The ACNC does not have the power to deal with internal disputes in charities unless there is a serious risk to public trust and confidence. For example, if the dispute has the potential to result in a breach of the ACNC Act. It is not the role of the ACNC to mediate disputes, but there are other organisations that can help.

It is often a good idea to have a provision in your charity's rules that sets out how a dispute will be resolved. It is always better to have the process in place before you need it!

Read our [quick tips on internal disputes](#) to find out more.

> To help avoid disputes caused by misunderstandings, be sure that everyone involved with your charity understands their role and responsibilities and acts quickly to resolve any disputes.

Remember, disputes can destabilise a charity and can distract you from carrying out your charitable purpose.

Conflicts of interest

Conflicts of interest can happen often. If these are properly managed they do not have to cause serious problems. A conflict of interest occurs when a person who has a duty to act in the best interests of another has the opportunity or potential to 'use' that information or their position in some way for their own personal benefit (or for the benefit of a person or organisation they have a relationship with). Read our [quick tips on conflicts of interest](#) to find out more.

Disclose any conflicts of interest to the board as soon as you are aware of them. Unless the board members consent, you should not participate in any discussion or decision-making on issues where you have a conflict of interest. Sometimes, it may be best if you leave the room until the discussion is over.



Winding up

'Winding up' means closing down your charity. There are many reasons that charities choose to wind up. Some charities might wind up because they have achieved their mission or if they merge their operations with another charity. In other cases, they wind up because they can no longer pay their debts. Whatever the reason for winding up, your charity may have procedures that it must follow set out in its rules or in any legislation that applies to it. Contact your [incorporating regulator](#) to check if there are any procedures your charity may need to follow and it is in your best interest to [notify the ACNC](#) so that your charity is no longer has to meet its obligations to the ACNC.

Revocation

The time may come when your charity decides that it no longer wants to be a registered with the ACNC. Charities might choose to request that their registration be revoked because they are winding up or if they decide to change their purposes to ones that are not charitable. Whatever the reason, if your charity decides that it no longer wishes to be a registered charity, you can complete the [Application to revoke registration as a charity form \(378kb\)](#) to cancel your registration.

Remember, if your charity ceases to be registered with the ACNC it will lose its eligibility to receive tax concessions from the Australian Taxation Office and access to certain other Commonwealth concessions, benefits or exemptions.

The ACNC Act gives the ACNC powers to ensure that the community continues to have high levels of trust and confidence in the sector. These powers aim to protect the reputation of charities doing the right thing. In cases where charities are guilty of serious misconduct, the ACNC has the power to revoke a charity's registration.

Insolvency

Being insolvent means that your charity cannot pay its debts when they are due. If you think your charity may be insolvent or at risk of becoming insolvent you should seek professional advice immediately. You may need to notify your [state or territory regulator](#) if your charity is incorporated.

Top 10 tips for board members

- 01 Know what your charity's charitable purpose is and make sure you and your charity are working towards it – when in doubt, ask yourself whether your actions are furthering your charity's charitable purpose.
- 02 Be clear about your role and make sure that the roles and responsibilities of everyone at your charity are well understood, whether they are a volunteer, member, board member, client or employee.
- 03 Understand your charity's financial position and be familiar with its financial statements – everyone on your board shares a responsibility to make sure your charity's finances are well-managed.
- 04 Keep your responsibilities as a board member in mind when making decisions as a board member, particularly the difficult ones.
- 05 Have a copy of your rules: read them, understand them, follow them and if ever you are uncertain, ask your other board members or get professional advice.
- 06 Although board members act as a collective, do not just follow the crowd. You should always do what you think is best for your charity, even if sometimes it means asking questions, getting extra information or independent advice, or taking a different view to other board members.
- 07 Know your charity's obligations to government agencies (such as the ACNC and other regulators) and make sure your charity is meeting them.
- 08 Listen to the other board members and work as part of a team. Your board shares a collective responsibility for the organisation and you should see board members as colleagues.
- 09 Be confident to declare and manage conflicts of interest responsibly. For more information read the ACNC quick tips on managing conflicts of interest on [acnc.gov.au](https://www.acnc.gov.au)
- 10 Always act in the best interests of your charity – as a board member you have a responsibility to put the interests of your charity above your own personal interests.

Resources for charities

These are just some of the resources available to charities on governance. The ACNC is developing a list of resources and will provide further information in the future.

Australian Institute of Company Directors

www.companydirectors.com.au

Chartered Secretaries Australia

www.csaust.com

Community Door

(Queensland site but with general information)

communitydoor.org.au

Connecting Up

www.connectingup.org

CPA Australia

www.cpaustralia.com.au

Inc. – A guide for incorporated associations
in Western Australia

(Western Australian site but with general information)

www.commerce.wa.gov.au/associationsguide

Institute of Chartered Accountants Australia

www.charteredaccountants.com.au

Not-for-profit Compliance Support Centre

(Victorian Government site but with general information)

www.nfpcompliance.vic.gov.au

Our Community

www.ourcommunity.com.au

Philanthropy Australia

www.philanthropy.org.au

PilchConnect

(Victorian site but with general information)

www.pilch.org.au

Queensland University of Technology - Developing Your
Board Wiki

<https://wiki.qut.edu.au/display/CPNS/DYB+Home>